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Ch XIV

METHODS OF

INDUSTRIAL REMUNERATION.

METHODS

OF

INDUSTRIAL REMUNERATION.

BY

DAVID F. SCHLOSS.

SECOND EDITION.

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To

R. S. S.

COMRADE, COUNSELLOR, AND CRITIC.

PREFACE TO THE SECOND EDITION.

THE original edition of this book being now exhausted, and a second issue having become necessary, the opportunity has been taken to alter the diction in a small number of places, where it has seemed possible to secure greater clearness by trifling emendations. In other respects the work remains unchanged.

July 31*st*, 1894.

PREFACE TO THE FIRST EDITION.

WITH the object of investigating the method of industrial remuneration the writer of the following pages has visited a large number of factories and workshops, mines, quarries, &c. Employers, on the one hand, and employees, on the other, have furnished many interesting details in regard to the manner in which labour is organized and remunerated. From both sides he has heard the views entertained by practical persons in relation to the advantages and the defects of the various methods.

Taking the particulars and the opinions thus collected

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INTRODUCTION.

Of all the questions, which press for an answer at the present moment, none is fraught with weightier issues than the Labour Problem. The wealth of the world grows apace; and in its creation the labour of the industrial classes fulfils functions of very great importance; but the share of this wealth allotted to the working-men is considered by them to be unjustly and intolerably insignificant. At the same time, concurrently with the demand of the working-classes for an increase in the amount of their remuneration, there has arisen a widespread resentment against the oppressive character of an industrial system under which intelligent citizens are, in many cases, subjected to the capricious tyranny of harsh and exacting task-masters, and are, almost universally, deprived of any voice in the organization of their own industry. Nor will thoughtful persons, no matter to what class they may themselves belong, decline to admit that these complaints are, in a great measure, well-founded.

The Labour Problem has two branches, the one of which relates to the amount, the other to the method, of industrial remuneration. It is with the latter alone of these allied subjects that it is proposed to deal in the following pages. The purpose of this book is to present a picture, as faithful as possible, of the prevalent system of industrial remuneration, and to describe the various modifications in this system which have been adopted with a view to its improvement.

The prevalent system of industrial remuneration, known as "the wage-system," is one, the main feature of which is the purchase by one set of men—the employers—of the labour of another set of men—the employed. Let us examine in detail

the nature of the conditions under which this bargain is carried out.*

At the summit of the industrial hierarchy we find the employer; below him stands a row of managers, foremen, and other superintendents; last come the clerks, artisans, and labourers. The employer fulfils a threefold function: he provides the capital—it may be his own or borrowed; he buys the raw material and sells the finished product; and he directs the process of working up the raw material, determining what goods shall be made and how these goods shall be made, settling what tools, machinery and motor power shall be used, and deciding what persons shall be employed, and what part each shall play, whether as manager, foreman, or workman, in the processes incidental to production. The employer is thus a capitalist, a merchant, and an organizer.

The foremen and other superintendents perform two (in some cases three) distinct functions. In many instances the foreman is a superior workman, himself executing, or assisting in the execution of some, usually of the more difficult, portions of the work; in all cases the foreman is, in the first place, a sub-organizer, being allowed a potent voice in respect to the selection and discharge of the operatives, and arranging (subject to the supreme control of the head of the business) in what manner the work of these subordinates is to be performed; and, in the second place, an inspector, whose duty it is to see that this work is performed in accordance with the contract between the workmen as wage-receivers and his principal as wage-payer.

By selling the produce of his factory the employer obtains a fund out of which he defrays the cost of all materials and plant, rent, and other outgoings, and pays to his employees the price of their labour—their wages, finally retaining for himself the balance—his profit.

* The typical case referred to in the text is one in which a manufacturing enterprise is carried on upon a commercial basis by an individual employer. It is scarcely necessary to remark that there are many enterprises which are not commercial; as, for instance, the private gas-works attached to the mansion of a landed proprietor; or to remind the reader that the position of the employer is frequently occupied by a body of shareholders. For present purposes, however, it will be convenient to take as our typical instance a "one-man" business.

Wages being the price of labour, the first point to be considered in relation to the various methods of paying this price is the degree of correspondence maintained between the wages received and the labour given in return for these wages. We shall find that under the method of time-wage this correspondence is but loosely maintained, the time occupied being taken as the measure of the amount of labour performed; but in the case of task-wage and of piece-wage we shall observe that an exact proportion between work done and pay received is scrupulously maintained. After an examination of the grounds, some of them of indisputable validity, others entirely fallacious, upon which the system of payment by results is objected to by an important section of the working-classes, we shall proceed to investigate those methods in which, with a view to securing and rewarding the display of more than normally intense exertion and of more than ordinary carefulness, a premium is added to the ordinary wage. In particular we shall observe with attention certain types of "Progressive Wages," known under the name of "Gain-sharing"—arrangements under which a fixed or *minimum* wage is supplemented by a premium proportionate to the efficiency exhibited by the workman, so far as this exceeds a specified standard. In this manner the employee is assured of a clearly defined *minimum* remuneration, while participating, in addition, in the gain which accrues by reason of the special degree of activity and intelligence displayed in his labour.

Chapter I. pp. 11, 12.
Chap. II. pp. 13-18.
Chap. III. pp. 19, 20.
Chap. IV. pp. 21-28.
Chap. V. pp. 29-47.
Chap. VI. pp. 48-59.

So far we have been dealing with the method of industrial remuneration as it affects the relations between the employer and the employee working in isolation—"single-handed." We now pass to "collective" remuneration—remuneration, that is, paid in respect of the combined labour of a group. A detailed scrutiny of the various forms of collective remuneration discloses the presence in different kinds of group-work of a characteristic element of weighty importance. This is the mutual supervision exercised by the members of a group, each acting, in effect, as a superintendent in relation to the work of his neighbour, because all have a direct interest in the performance by every man of a full share in the common task. The economic advantage secured by the mutual supervision,

Chap. VII. p. 60.
Chap. VIII. pp. 61-65.
Chap. IX. pp. 66-81.
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which group-work promotes, has not escaped the notice of those who are endeavouring to discover improved methods of industrial remuneration; and this feature will be found conspicuously present in that highly interesting type of collective remuneration, which proposes to apply to the labour of a group the system of progressive wages—the method of "Collective Gain-sharing." Under this method the fixed or *minimum* wage of each operative is supplemented by a share allotted to him in a joint premium proportionate to the efficiency exhibited by the group of which this operative is a member. For the ascertainment of this premium a standard cost is fixed, being, in fact, the aggregate sum to which it is estimated that the expenses of production would amount, assuming the labour employed to display neither less nor more than an agreed normal degree of efficiency. The saving effected by reason of the work being executed with greater than normal efficiency affords a fund, the whole or part of which is distributed in proportions determined by the employer (generally in the ratio of the men's ordinary wages) by way of bonus, or premium upon efficiency, among all the members of the group.

Chap. IX. pp. 66-81. Appendix A. pp. 265-267.

In regard to the method of Collective Gain-sharing, which thus combines the progressive with the collective principle, the first question to be considered, is one which, of necessity, arises in relation to any and every system of industrial remuneration under which it is sought to establish a close correspondence between the amount of work done and the amount of pay received. In what manner is the standard cost to be ascertained? The employer naturally desires to get at least sixpennyworth of work for every sixpence paid, whether as wages or as premium, to his employee: the workman, no less naturally, desires to make sure that he is not selling eightpennyworth of work, or even sevenpennyworth, for sixpence. How is the question, what constitutes sixpennyworth of work, to be settled? In some cases this difficult question is decided upon *data* afforded by past experience, by a representative committee of masters and men whose award binds the whole trade. But there are always many matters of detail arising in regard to a particular factory, with which,

since they do not concern the trade as a whole, the Board of Conciliation is unable, satisfactorily, to deal. There is, therefore, room for the establishment, in relation to each several manufactory, of a Committee of Conciliation, upon which representatives elected by the workmen from among themselves, and also the managers, foremen and other superintendents, should have seats. With this body the employer will discuss fully and frankly the basis of remuneration, showing his employees in what manner he proposes to calculate his standard cost of production, what proportion the premium is likely to bear to the fixed or *minimum* wage, and so on. No doubt, some will object that questions of this nature ought to be determined, without any consultation with his workpeople, by the absolute authority of the employer. But acquiescence in despotism, even in benevolent despotism, can no longer be expected from working-men, who are apt to insist upon satisfying themselves, if need be by the rough-and-ready test of a strike, that their master is paying the highest wages that the trade will bear. Thus the employer, who desires permanently to maintain peaceful relations with his workmen, will do well to meet them in amicable consultation, and with their concurrence to settle upon a definite basis, accepted as equitable by both parties concerned, the price which is to be paid for the labour of the operatives.

Chapter v. pp. 34-36.

In relation to the method of industrial remuneration, we must not forget that, while the working-man objects to being underpaid, he no less strongly objects to being over-driven. Thus, in considering the various systems of remuneration, the position occupied by the foremen, overlookers, and other superintendents of labour is a matter requiring earnest attention.

Chap. ix. pp. 72, 73. Chap. x. pp. 82-86.

A critical examination of the character of those grave industrial evils, the existence of which the labours of one of the most protracted enquiries of modern times disclosed to an indignant nation, will convince us that the true inwardness of "the Sweating System"—so far as the method of remuneration is concerned, so far, that is, as "the Sweating System" is a system at all—is to be looked for in the fact that the "sweated" workpeople, instead of being employed under a

Chap. x. p. 86.

hap. XII. p. 96-104.
hap. XIII. p. 105-121.
hap. XIV. p. 122-135.

foreman remunerated by time-wage, are employed under a task-master remunerated by "the profit on the job," that is, in strict proportion to the speed at which he can drive his subordinates. If it were possible entirely to abolish the piece-work remuneration of all superintendents of labour, then, and then alone, should we have got rid, root and branch, of "the Sweating System." This, however, is a step which, for reasons not far to seek, it is in the highest degree unlikely that employers will, for the present, at any rate, be persuaded to take. Here, again, the "middle way" of progressive wages lies open; the foremen and leading men, included in the scheme of Collective Gain-sharing, will be remunerated mainly by a fixed time-wage irrespective of results, but, in part, by a moderate premium on output.

hap. XV. p. 136-140.

Coming now to the question of the constitution of the industrial group, we may discover good grounds for believing that, in many instances, an immense advantage would be gained, if it were found possible to leave this question to be decided by the collective volition of the employees themselves. Under arrangements of this nature, the employer would enter into a contract with a co-operative body, self-elected and self-governed, for the sale to him of so much work for so much money. To this co-operative group will, of course, be conceded no right whatever to have any, even the smallest, voice in settling the financial details of the business—such as the purchase of the raw materials, the determination of the manner in which these materials are to be worked up, or their sale in the finished state. On the other hand, within their own province, that is to say in all that concerns the organization of their own labour, the co-operative employees will possess the most absolute discretion, the only right claimed by the employer being the right to receive in full the results for which he has agreed to pay.

hap. XI. p. 87-95.
hap. XVI. p. 141-149.

Although it may be anticipated that a group formed upon this co-operative plan will be careful, in its own interests, to exclude from membership incapable and unruly workmen, and only a *minimum* amount of supervision will, therefore, be required, yet the industrial regiment will want its officers; these will be associates entrusted with authority by the vote

of the general body; though, in many cases, the employer, desirous for obvious and sufficient reasons to secure to these foremen and leading men an adequate stability of authority, will, no doubt, reserve to himself a veto upon their dismissal from office.

But, even if we grant it to be possible that the associated operatives should, under conditions such as these, be sufficiently sensible to their own advantage to yield a due degree of obedience to their elected chiefs, is it not certain that these officers, in their anxiety to obtain for the group the largest possible premium, will inevitably permit, if they do not actually encourage, their subordinates to sacrifice perfection of workmanship to rapidity of execution? The best safeguard against this serious danger would be found in the appointment of a distinct staff of inspectors whose duty it should be to ascertain, as the work proceeds, that the stipulated standard of excellence is at all times scrupulously maintained. These expert critics (whose functions will resemble those fulfilled by a clerk of the works on a building job, or by an Admiralty surveyor, a representative stationed in a private yard in which a ship is being built for the Government) would take no part in the actual organization of the labour, but would, by the threat of rejection, be able to prevent anything in the nature of "scamping." In regard to the remuneration of these inspectors, who will be engaged by, and will be under the exclusive control of the employer, it would appear best to give these officials a fixed salary supplemented by a small share in the profits of the business.

Chap. IX. p. 81.

Although it may be admitted that its adoption, if practicable, would do much to improve the relations between employers and employed, the suggestion that the employer should set up within his empire an industrial republic, such as here outlined, will unquestionably appear to many to be altogether outside the pale of practicability. Certainly, for its success a high degree of mutual loyalty between associated workmen is indispensable. Still, the great advance in the direction of amenability to self-imposed discipline, which has of late years taken place among our working-classes, is one of the salient signs of the times. Is it too much to hope that the

spirit of organization, whose strength is daily manifested in industrial warfare, may, when directed into another channel, prove potent to promote the maintenance of industrial peace?

Up to this point we have been concerned with the question of the position occupied by the working-classes under the various forms of the existing wage-system. It remains to consider that novel system which, under the name of Co-operation, has been introduced with the view of modifying the present wage-system by the partial, or of supplanting it by the complete, substitution of profit for wages as the remuneration of industry. Co-operation exists in two distinct forms—Profit-sharing and Industrial Co-operation. Under the method of Profit-sharing, the workmen are to be induced to display a special degree of efficiency by the promise of an addition to their ordinary wages taking the shape of a bonus contingent upon the rate of profit realized by their employer. The aim of Industrial Co-operation, on the other hand, is to eliminate the capitalist employer altogether from the organization of industry, the workmen themselves undertaking all the functions of the *entrepreneur*, and looking for the reward of their labour, no longer to the receipt of wages, but to the division among themselves of the entire profits of the undertaking.

hap. xvi. p. 141-149.

hap. xvii, p. 150-152. h. xviii. p. 153-158. hap. xix. p. 159-161. hap. xx. p. 162-165.

h. xxiii. p. 200-204.

While an examination of the facts in respect to those British firms, which have adopted Profit-sharing, will show us that this system is being tried with a fair amount of success in numerous instances, yet the radical defect of a method of industrial remuneration, under which the reward of the servant's labour is made contingent upon the good or bad management of the business by his employer, and upon the hazards of commercial fortune, renders it difficult to admit, except with a great degree of reserve, the claim of these novel arrangements to have effected a substantial improvement in the ordinary wage-system. At the same time, we shall see that there are many cases in which, if the extra efficiency exhibited by the employees is not measured by the profits of the business, this special zeal cannot be measured at all; here the method of Profit-sharing possesses marked

hap. xxi. p. 166-180. ppendix D. p. 272, 273. ppendix E. p. 274-279.

hap. xxii. p. 181-199.

advantages, and is, beyond question, well adapted to promote the interests alike of employer and employee.

In regard to Industrial Co-operation, a survey of the facts will convince us, that the attempt to get rid of the *entrepreneur*, and to put his profits into the pockets of "self-employed" workmen has, so far, met with the most signal failure. The great bulk of our Industrial Co-operation is carried on upon lines which altogether exclude the actual workers from all participation in profits; and in those comparatively unimportant cases, in which the workers are allowed to receive, in addition to their wages, a share in profits, the increase in their normal remuneration effected by this supplement turns out to be of the most meagre proportions. As to the idea, that Industrial Co-operation is to enable working-men to be their own employers, there is in the practice of Industrial Co-operation nothing whatever to correspond with this conception. What the Co-operative Movement has done, is to enable a large number of working-men, not to employ themselves, but to become the employers of a small number of their fellow working-men.

Ch. xxi pp. 205-
Chap. x
pp. 222-
Ch. xxv
pp. 231-
Ch. xxv
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Ch. xxvi
pp. 231-

All the same, no greater mistake could be committed than to sneer at the Co-operative Movement as "only joint-stock business writ large." Business, especially in the form of joint-stock enterprise is pregnant with educational opportunities of especial value to working-men, whose ordinary avocations afford them no glimpse of insight into the complex mechanism of our commerce and finance, and who, meeting, now for the first time, to administer in the common interest the affairs of the Co-operative Society, are rapidly acquiring a notable proficiency in the all-important art of organization. That the Co-operative Movement should have succeeded in bringing these opportunities within the reach of the great mass of our wage-earners, is a fact possessing a vital significance in the history of a country whose trade is, to so large an extent, subject to the collective control of the industrial classes acting in combination, and whose whole system of government, national and local, is based upon the paramount sovereignty of the popular will.

Ch. xxvi
pp. 242-

Although the Co-operative Movement, splendidly success-

ful in other directions, has hitherto failed in the attempt to abolish the prevalent wage-system and to put in its place the novel co-operative method, under which working-men are to be their own employers, yet this failure should not be allowed to impede the recognition of the essential truth which lies at the root of the co-operative ideal. The desire of working-men to undertake the organization of their own labour is entirely legitimate; and its realization, under proper conditions, is perfectly practicable. There are many cases in which it is unquestionably possible for a group of self-organized workmen to undertake—as a matter absolutely distinct from the functions performed by the capitalist—the execution of a pure labour contract. This is the fair field, in which will be won the triumphs of those nobly self-reliant working-men, rightly struggling for the independence of labour within its own sphere, whose hopes have, now for many a long year past, been centred upon the method of Industrial Co-operation.

Chap. xi. pp. 87-95.
Chap. xxix. pp. 248-264.

CHAPTER I.

THE DIFFERENT KINDS OF WAGES.

THE two leading forms of Industrial Remuneration under the wages-system are time-wages and piece-wages.

Intermediate between these principal forms stands that known as task-wage; while supplemental to these two main methods we find those various systems which will here be designated by the name of progressive wages.

The employee engaged on time-wage sells to his employer the labour which he shall perform within a given period, irrespective of the amount of labour performed within that period.

The employee engaged on piece-wage sells to his employer a specified amount of labour, irrespective of the time occupied by the performance of that labour.

The employee engaged on task-wage sells to his employer the labour which he shall perform within a given period, with an express agreement on the part of the workman to perform within that period not less than a specified *minimum* amount of labour.

Under the method of progressive wages the employee receives a promise that, if his labour shall exhibit a specified degree of efficiency, he shall obtain, in addition to his fixed time-wage or piece-wage, a further remuneration, here called a premium.

One matter of importance in relation to wages is the distinction between wages paid to a single worker, in respect of his individual labour alone, and wages paid as the collective remuneration of the combined labour of a group of workmen.

The lump sum paid in respect of the aggregate labour of the group may be apportioned among its members by their employer by allotting to each a specified share in this aggregate amount: I call this "collective task-wage," or "collective piece-wage," or "collective progressive wages," as the case may be.

Or this lump sum may be apportioned by the employer between the group by, first, deducting the time-wages of the subordinate members, and then paying to the principal member or members, out of the balance thus left, a piece-work remuneration, the amount of which varies directly with the rate of speed in working maintained by the group. Work done under this method will here be spoken of as "contract work."

Or this lump sum may be apportioned amongst the members of the group in such proportions as they, at their own discretion, shall determine. Work performed under this method I call "co-operative work."

CHAPTER II.

TIME-WAGE.

Under the method of time-wage the remuneration of the employee is fixed without any direct reference to the amount of labour which he shall perform within a given period. All the same, the performance of not less than, or not more than, a given amount of work within a given period of time forms, in many cases, virtually a part of the contract between the employee on time-wages and his employer. That is to say, time-wage very often has a recognised piece-basis, the remuneration received by the operative being fixed with a distinct relation, tacit or expressed, to the amount of the labour, which he performs within the period in respect of which that remuneration is received. On the one hand, the employer nearly always discharges all operatives who do not work at a certain *minimum* rate of speed; on the other, the operatives always object to working at a rate of speed incompatible with their reasonable well-being, and, in many trades, fix a certain *maximum* speed, which they, upon one ground or another, decline to exceed.

Concerning the exaction by the employer of a *minimum* rate of speed little need be said. Frequently before an order is undertaken, still more frequently before the execution of an order, or before the fabrication of goods for stock is commenced, a minute calculation of the labour-cost of each necessary process is made. For this purpose every foreman is required to supply an estimate of the cost of production, so far as concerns his own department. And, of course, it is the duty of each foreman to see that the total sum paid away in

time-wages to the operatives employed under him does not exceed the amount of his estimate. It is, therefore, the business of the foreman to take care that not less than a certain standard amount of work shall be done in return for a given amount of time-wage; in other words, to secure that the operatives shall work at the *minimum* rate of speed, upon which his estimate was based; and, with a view to the maintenance of this rate, he is called upon to designate for dismissal any operative whose work falls short of this standard. In those cases, in which the exaction of the performance by an operative employed on time-wage of a fixed minimum of work within a given period is really rigid, the method of employment is practically identical with task-wage.

With regard to the maintenance of a *maximum* rate of speed, beyond which operatives employed under the method of time-wage decline to work, it is to be observed that the rules, which exist in relation to the *maximum* output to be produced within a given period, are enforced, in some instances by the public opinion of the men in the trade, in others by the express action of the Trade Union.

The following copy of a letter, addressed by a branch secretary of a Trade Union to an employer, in relation to certain processes incidental to the packing for export of Manchester goods, illustrates the working of a restriction on output of the nature above described.

"Sir,—Our terms for hooking or stitching are 6*d* per hour. We hook thirty pieces twenty-four yards prints, or twenty-five pieces thirty yards per hour. We hook one hundred pieces twenty-four yards greys in the set of three hookers. We stitch seventy-five prints one each end per hour, and 100 greys one each end per hour.

"On behalf of No. 3,

"General Warehousemen's Society."

It will be understood that if, in a case like this, a workman finds at the end of three quarters of an hour that he has hooked the specified *maximum* (say, thirty pieces twenty-four yards prints), then he is entitled, and is bound, to stand with his arms folded during the remaining fifteen minutes. A curious instance of the tenacity with which these restrictions on output are adhered to, was given to me by a man of recognised eminence among the working-men co-operators.

He at one time attempted, with the assistance of several officials and ex-officials of the Trade Unions of the operatives in the glass manufacturing industry, to found a co-operative glass-workers' association. The regulations of these Trades Unions forbid the workmen to produce more than a specified quantity of work in each shift, and the promoter of this co-operative society asked the officials of the Unions whether, since the men to be employed in the projected factory would be working on their own account, and not in the service of an employer, these operatives would be allowed to work free from this restriction, and to produce as large an output as they might find possible. This request met with a point-blank refusal.

Another example of trade union action fixing the *quantum* of work to be performed within a given period will be found in the official Report on the Strikes and Lock-outs of 1889 (p. 140), where an account is given of the demands, finally acceded to by their masters, which were made by the Glasgow plasterers. These workmen obtained the adoption of "a working card, in which was set forth the time that should be taken to properly begin and finish certain kinds of plaster work. This list allowed of no resting or lazying, but was in every sense of the word a good substantial day's work, that could be done only by good and efficiently trained journeymen."

The grounds, upon which the objection of working-men (whether formulated in trade union rules and in specific agreements or not) to working at the very top of their speed is based, are discussed later on (Chapter V.). This objection is now mentioned only with a view to justifying the observation that, speaking generally, there exists underlying the method of time-wage, no less than that of piece-wage, a more or less definite quantitative basis, a fixed money value being placed upon the output capable of being produced within a certain time by an operative working at a certain rate of speed. In industrial parlance, "sixpennyworth of work" is the same thing, whether the worker be on time-wage or on piece-wage. In more scientific phraseology, we might, perhaps, say that in the ultimate analysis there can be detected lying at the root of both time-wage and piece-wage the

common basis above alluded to; and we might call the ratio between time, output, and pay, which forms the ground-work of every rate of wages (of whatever kind) "the standard of remuneration."

Although many of our working-men prefer working on time-wage, yet that method of industrial remuneration is adopted in this country only in a minority of cases. Employers, naturally, dislike a method which fixes the remuneration of the workman without any specific contractual reference to the amount of labour performed by him, and which makes it practically very difficult to secure, otherwise than by means of the most vigilant supervision, the performance of an amount of labour fairly corresponding with the standard of remuneration; or, as it is popularly expressed, to make sure that a full sixpennyworth of work is given for sixpence. It seems possible that, as the pressure of the demand for higher wages becomes more and more keenly felt, our employers, desiring to make themselves more certain than they often are at present of getting full value for the money paid to the wage-earners, and to induce the operatives by some system of payment according to results to maintain as great a speed as possible, may endeavour to diminish the amount of work done on time-wage. Certainly, the supposition that high wages and high speed go together is favoured by the example of the United States, where the scale of industrial remuneration is generally much more liberal than in this country, while it is agreed on all hands that in the American factories work is carried on with an intensity of exertion which can find no sort of parallel on this side of the Atlantic.

There are, however, many kinds of work in which time-wage work is preferred by the employers. This is always the case where scrupulous perfection of workmanship is of much greater importance than speed in working. Especially is time-wage work preferred where the quality of the workmanship cannot easily be tested by inspection. In all these cases it is, in any event, necessary to select workmen of approved trustworthiness; and it is found best to rely upon their honesty, rather than upon the stimulus afforded by piece-

work, to secure the performance of their work at a reasonable speed.

Persons in charge of valuable and delicate machinery are often put on time-wage, in order to prevent them from handling roughly or overtasking the machinery in their effort to obtain celerity of production.

Another reason, why men are employed as time-workers, is frequently to be found in the difficulty of measuring or counting the output day by day.

In cases in which the nature of the work done varies from day to day, if not from hour to hour, the difficulty of fixing a piece-wage for each job is generally so great that the operatives have to be put on time-wage. This is particularly the case in regard to two classes of work. When work is of an abnormal nature and more than usually difficult, it is found that the attempt to fix a piece-wage for this "awkward work" leads to so much disagreement, that it is better to have it done on time-wage. The same is the case in regard to repairs, especially in regard to those kinds of repairs in which it is impossible to determine exactly what work will be necessary, until the repairer has actually begun the job, or to classify and price each item, so that there can be no doubt as to the remuneration due in respect of the job, when done.*

One ground, upon which operatives, whom we should expect to find working on piece-wage, are in some instances put on time-wage, is the impossibility of maintaining the continuity of their employment. Thus in a ribbon-weaving factory I found that the foreman had recently changed the weavers from piece-work to time-work. Before the weaver can begin his work, the loom has to be "set" by another class of operatives, and, while this is being done, he is necessarily idle. It was found impracticable to arrange a piece-wage, which should be so calculated as to avoid injustice to the worker thus frequently kept workless through no fault of his own;

* On the other hand, there are cases in which no difficulty is caused by getting repairs done on piece-wage; as, for instance, is the case with boot-makers in the "hand-sewn" trade, who have an agreement with the masters as to the exact piece-wage to be paid for about a dozen different kinds of repairs.

and, accordingly, these men were put on time-wage, being paid by the week and losing nothing in respect of the days or hours when they were off work. I know of a case in which weavers in the woollen trade working on piece-wage were, under parallel circumstances, frequently kept without either work or pay—treatment of which they complained with much bitterness.* It would certainly prevent the occurrence of complaints such as these, if the workers liable to interruptions of this nature were, so far as practicable, put on time-wage.

In this connection it is to be noted, that in many cases, in which men are engaged by the week, and rated nominally at a weekly wage, it will be found that they are, in fact, paid by the hour, no pay being given except in respect to the time actually spent in labour. Where a trade is fairly regular in volume, there, in a well-managed workshop, the continuity of the employment is fairly well maintained, so that the operatives, as a rule, always earn nearly the full amount of their nominal week-wage. On the other hand, in trades subject to periods of depression, especially "season" trades, the employees are frequently kept waiting a long time between one job and another; and, since no payment is made in respect of these intervals of compulsory idleness, their actual weekly earnings fall far short of the weekly wage at which they are rated.

* Compare the evidence given before the Labour Commission on November 11th, 1891, by Mr. Allan Gee, secretary of the West Riding Power Loom Weavers' Association.

CHAPTER III.

TASK-WAGE.

TASK-WORK must be distinguished from piece-work and from work done under various forms of the method of progressive wages (such as "time-wage piece-work"), with which, as well as with piece-work, it is frequently confounded in popular parlance. In the case of a man employed on time-wage, although failure to produce a standard amount of output within a given period may lead to his dismissal, yet such failure does not lead to any diminution whatever in his remuneration; the man on time-wage piece-work, again, although, by working at a rate slower than that laid down for him, he will fail to obtain the reward of extraordinary assiduity which is paid under this method, is yet, at any rate, secure of his *minimum* fixed wages. But, if the task-wage workman does not complete within the specified period his "tale of bricks," then he suffers a corresponding deduction from his task-wage. At the same time, while the man employed on piece-wage is remunerated in exact proportion to the amount of his output, and while the man doing time-wage piece-work receives a premium commensurate with the excess of his output over a given amount, the man working on task-wage has no claim to anything beyond his fixed wage, in case he should produce an output beyond the required standard.

The adoption of the method of task-wage sometimes takes place thus. The employer gives the workman a novel article to make on piece-wage. The man, working as fast as he can, turns out on the average x articles per hour. When his

measure has been taken in this manner, he is put on time-wage, with the obligation of producing not less than x articles per hour, *i.e.* on task-wage. Generally—it is alleged—this task-wage is based upon a standard of remuneration lower than that of the man's former piece-wage; and it is obvious that the chief reason for thus adopting the method of task-work must be to obtain the same amount of work as the employer formerly got, when the man was on piece-wage, for less money than he then paid for it.

As already remarked, when an operative nominally on time-wage is under an absolutely rigid compulsion to turn out within a given period a fixed *quantum* of work, this is really task-wage. An example may be found in the tailoring trade in East London, in which the workpeople are engaged by the day or fraction of a day, but, as Mr. Burnett, labour correspondent of the Board of Trade, remarks in his original Report on the Sweating System, "so nicely can the productive ability of his workers be gauged by the sweater, that a certain wage per day means invariably a certain amount of work per day. This explains the almost entire absence of the piece-work system, which is unnecessary as a means of stimulating production, inasmuch as the workers are under a system of task-work much more rigid in its operation than piece-work."

It is scarcely necessary to add that the method of task-work is regarded by the working-classes with extreme dislike.

CHAPTER IV.

PIECE-WAGE.

UNDER the method of piece-wage the remuneration of the employee is fixed in exact proportion to the amount of labour performed by him, without any expressed relation to the duration of the period, within which that labour is performed. All the same, just as time-wage remuneration is, as we saw, practically founded upon a quantitative basis, so in the same manner all forms of piece-wage virtually rest upon a time-basis. In short, a rate of wages, whether piece-wages, or time-wages, will on analysis be found to be fixed with reference to what is here called the standard of remuneration; that is to say, with reference to the amount of money which employer and employee alike expect an operative working at a certain rate of speed to be able to earn within a given period.

While the employer, on the one hand, regards as the most material element in fixing the wages of his employees the labour-cost incidental to a certain volume of production, and takes care that he gets at least "sixpennyworth of work" for sixpence, whether that sixpence be paid as time-wage or as piece-wage, on the other hand, the employee regards as a most material element in determining, what wages he shall accept, the amount of labour, which he will be called upon to perform in return for a given amount of money, whether that money be paid to him with or without an expressed reference to the time occupied by the performance of this labour; and, whether he be employed on time-wage or on piece-wage, objects to

being required to do more than "sixpennyworth of work" for sixpence.

If it is asked, what it is that decides what is "sixpennyworth of work" in each instance, it is for our purposes sufficient to say that, whatever considerations govern this matter, apply in an identical manner, whether this "sixpennyworth of work" be the output produced in, say, an hour by a man employed at sixpence an hour, or the out-put of a man making at a piece-wage of one penny per article six articles, each of which it takes him ten minutes to make.

In regard to the question what constitutes "sixpennyworth of work," any detailed examination of "the law of wages" would be out of place here; and all that need be said is, that in the practical determination of this question two points must never be lost sight of; one is the amount of work which an operative of average capacity, working with such degree of exertion as the average workman is willing to exercise, is able to produce within a given period: the other is the amount of money or money's worth which the average operative requires* in order to provide himself and his family with the average amount of commodities and comforts (including the comfort of saving for a rainy day) accepted by the men of his class as their "standard of comfort." Speaking with approximate accuracy—accuracy sufficient for our present object—we may say, that, if the men in any trade are willing to labour for x hours in a week and to produce work to the amount of y per hour, and if the amount of money required to obtain the annual accepted *quantum* of commodities and comforts be z, then, if we suppose that the men in this trade can reckon upon being employed continuously throughout the year,† the amount of work which can be bought for z, whether from an operative employed on time-wage or from an operative employed on piece-wage, will be $52xy$.

Such being the general nature of the considerations, which determine the standard of remuneration in each case, the point now occupying our attention—the time-basis of piece-wage—

* In addition to any amounts contributed by his wife and family.

† As to the standard of remuneration in the case of irregularly employed workers see McCulloch, *Treatise on Wages*, p. 64.

may be illustrated by a concrete example taken from a trade in which work of an identical nature is done in some instances on time-wage, in others on piece-wage—the printing trade. Under the scale of wages agreed upon between the employers and the Trade Union in London, the remuneration of compositors employed on time-wage is fixed at 38*s* per week of fifty-four hours, say, 8½*d* per hour. Now, the quantity of type of the description known as "nonpareil," which a compositor is able, and is expected to set up in one hour, is one "thousand." Accordingly, when we turn to the piece-wage prices, we find that an exact relation exists between these prices and the standard time-wage; for the remuneration specified by the scale for setting up nonpareil type is 8½*d* per thousand. Here it is clear that, whether the work is done on time-wage or on piece-wage, "sixpennyworth of work" is in either case the setting up of twelve-seventeenths of one thousand nonpareil; in other words, the rates of time-wage and of piece-wage in this trade are seen to be both fixed with reference to the same standard of remuneration.*

The fact, that all forms of piece-wage virtually rest on a time-basis, is in some cases expressly acknowledged in negotiations between the employers and the employees. Thus, in the cotton-spinning industry the elaborate wage-scale, which governs the rate of piece-wage, is founded upon a declared time-basis, the rate being explicitly fixed in such a manner as shall secure that an operative paid according to this scale, and displaying a normal degree of exertion, shall be able to earn a certain specified amount of money in a certain specified number of hours (a normal week,

* "In the various statutes regulating wages in England from the fourteenth to the eighteenth centuries, we find the price fixed for piece-work always sustained a uniform relation to that of day work. For instance, threshing a quarter or mowing an acre of wheat was always regarded as a day's work. Hence, in the thirteenth century, when harvest wages were threepence a day, the price of mowing an acre or threshing a quarter of wheat was threepence also. During the same period, when artisans' wages were threepence halfpenny a day, the price for a pair of sawyers to saw a hundred planks—which was always reckoned a day's work—was sevenpence. And when day-wages rose after the pestilence to fivepence a day, the piece-work price of threshing and mowing rose to fivepence also, and that of sawing one hundred planks to a shilling."—(*Wealth and Progress*, by George Gunton, pp. 181-182.)

as there defined).* But, whether such express reference to the time-basis be made or not, there exists in relation to all rates, alike of piece-wage and of time-wage, a certain definite ratio between the amount paid for a given quantity of work and the time which a man working at a certain speed will take to do that work.

Time-wage and piece-wage are both virtually based upon a common standard of remuneration; but it by no means follows that, if two men engaged on similar work are working side by side, the one on piece-wage, the other on time-wage, we shall inevitably find their weekly earnings to be identical in amount. The man on piece-wage will probably be found to be earning more money per hour than the man on time-wage. The explanation is, not that the piece-wage worker is paid at a higher rate, *i.e.* according to a higher standard of remuneration, but that he works at a higher speed than his neighbour. Both men do the same amount of work for the same money, but the former receives more money, because he does more work in the same time than the latter. Thus, the price fixed for piece-work always sustains a uniform relation to that of day-work; but the piece-wages and the time-wages for an hour's work of the same kind are not necessarily identical in amount, a fact accounted for by the superior intensity of exertion displayed by operatives working on piece-wage.

In engineering workshops, for example, there is a generally recognised rate of time-wage (varying in different places), which forms the acknowledged basis of remuneration when men are employed on piece-work. Under these circumstances men are said to be employed on a "time and a quarter," or a "time and a half" basis, as the case may be. That is to say, the rate of piece-work is fixed at such a level, that the workman, working, of course, with an intensity at least 25 or 50 per cent. greater than he would be expected to display, if employed on time-wage, may be able to earn one-fourth, or one-half, as much again as the standard time-wage; and

* For the details of the time-basis of piece-wages in relation to cotton-spinning see the Report on the Regulation of Wages by means of lists in the transactions of the British Association for 1887.

this, notwithstanding the fact that, whether the work is done on time-wage or on piece-wage, "sixpennyworth of work" is precisely the same quantity in both cases.

In some instances, in which the fact that piece-wage rates are based upon a time-wage basis is expressly recognised in agreements between employers and employees in relation to the remuneration of the latter, this time-basis is a more or less fictitious one. Thus, in the ("bespoke") tailoring trade, the standard rate of remuneration is a piece-wage rate with an expressed time-basis, so many hours at so much an hour being allowed for making each class of garment, irrespective of the time actually taken. But I have been informed by several master tailors that the hours now allowed are longer than those required for the completion of each article by a workman of average ability, a virtual rise in wages having been obtained by means of an extension of the time allowed; and a journeyman remarked to me that "a good man can practically get as many hours as he likes;" so that in the tailoring trade ("bespoke") the nominal time-basis of the piece-wage rate is other than the actual time-basis.

An interesting example of a piece-wage rate expressly fixed on a time-basis, which is admitted to be fictitious, is to be found in the flint-glass trade. Here the time allowed for doing a specified amount of work is far greater than that, which is actually spent in the performance of this work by an operative of average capacity. Thus, I saw a man making thermometer tubes, nominally at 6*d* per hour with a contractual obligation to make 60 tubes per hour. As a fact, an average worker can easily make 120 tubes and earn 1*s* per hour; and this sum is the *minimum* wage current in the trade. In the case cited the workman had made 146 tubes in his last hour, and was earning at least 1*s* 2*d* to 1*s* 3*d* per hour. It is possible to surmise that the original wage of these glass operatives having been, say, 6*d* per hour, an increase of remuneration was obtained, not by increasing this rate of pay, but by a gradual diminution in the *quantum* of labour which the employer was entitled to exact as the result of an hour's work—a supposition which tallies with the fact that, when employers and employees are at variance in

regard to the remuneration of the workmen, the discussion takes the form of a dispute, not as to how much per hour shall be paid, but as to "numbers," *i.e.* as to the number of articles that must be made in one hour in order to entitle the operative to the *minimum* (nominal) rate of pay per hour.*

A curious example of piece-wage masquerading in the dress of time-wage is worthy of remark, because the practice referred to, although now, fortunately, obsolete, accounts for the circumstance, that the Trade Unions in the boot trade, almost alone among our industrial combinations, regard "time-wage" with marked disfavour. In the boot trade the standard current wage is, and has long been, a piece-wage, the particulars of which are embodied in a "statement" which contains a list of the rates accepted by the Trade Unions for different classes of work. When a man was engaged on "time-wage" he was obliged to agree that he would perform in return for his weekly-wage a specified amount of work. For example, he had 28*s* per week with the obligation of producing 8 dozen and 3 pairs, or (if on better-class work) got 30*s* per week, being bound to complete 6½ dozen pairs in the week. Now, in the first place, the total piece-wage of these boots, according to the statement, came to more than this 28*s* or 30*s* (as the case might be). In the next place, the employer was under no obligation to find full work for his men, and, in fact, there was often no work for them to do during a great part of each week. Now, while their time-wage was docked proportionately, if they did less than the specified quantity; at the same time, if the man happened to exceed his specified quantity, he was not paid for the excess at the same rate as for the specified tale of boots, but at a lower rate—often lower by twenty-five per cent. There was, indeed, no agreement on his part to take this lower rate, and, if he insisted on being paid for his extra dozen at the same rate as for his specified number, the employer gave him the money—and his discharge. Under these circumstances it is not difficult to understand

* See *Principles of Glass-making*, by Harry J. Powell, p. 77.

why boot-makers hate the very name of "time-wage." At the present day, when the employers wish to take boot operatives on time-wage (a genuine time-wage this time), as, for instance, men wanted to work "lasting" or "finishing" machinery, some difficulty is experienced in overcoming their traditional repugnance to time-wage. However, through the good sense of the boot-makers, and especially of the leaders of their Trade Unions, this difficulty is being gradually removed.

The reasons, for which, in certain cases, employers prefer employing operatives on time-wage rather than on piece-wage, have already been stated, and do not require further discussion. But, in relation to the danger inherent in piece-work, that in his desire to increase his earnings the workman may be led to pay insufficient attention to the quality of his output, it may be mentioned that this danger appears to be in some cases (*e.g.* in that of some watch-repairers) guarded against by refusing to give out to any man more work in each week than will enable him to earn a specified *maximum* amount of piece-wage. Speaking generally, it may be said that, except in those cases, in which the reasons above referred to exist, the method of piece-work is preferred by employers, as affording greater security for the performance of the *maximum* of labour of which the workman is capable. It is, as has already been remarked,* by no means unlikely that, if the standard of wages rises, this rise will be accompanied by the supersession, in many instances, of time-wage by piece-wage. In this connection two points may be noticed.

In many cases, in which machinery and motor-power have taken the place of hand-work, it will be found that the operatives are, as yet, on time-wage. The reason is that the introduction of machinery and motor-power have greatly diminished the cost of production, and, until the use of such machinery and power has become general, and has affected the market price of the product, the manufacturer has so great a margin of profit that he does not think it worth his while

* *Ante*, p. 16.

to put the workpeople on piece-wage. For the present he finds that, by discharging all who do not produce an amount of output more or less nearly approximating to the *maximum* possible, he can get enough work out of his hands for all practical purposes. But as competition on the part of rival manufacturers, now possessing similar appliances, grows keener, or as the workers succeed in obtaining successive advances in wages, their employer will be more and more likely to put on the pressure of piece-wage.

Further, it must be observed that the tendency of modern manufacture is in favour of production on a large scale. Now, one cause, which, as we have seen,* militates against the adoption of piece-wage is the practical difficulty, which is found, when the operative is employed upon a succession of different kinds of work, because any attempt to price and pay for each job separately would lead to more trouble than is worth taking. This is the case with many of the employees in a small workshop, each of whom must in turn perform different parts of the work; but in a large factory it is possible to employ the same operative, day after day, upon the same sub-divided process. One result of an augmentation in the size of our manufacturing establishments may, therefore, be expected to be an increasing tendency to put the workers on piece-wage.

* *Ante*, p. 17.

CHAPTER V.

ON THE OBJECTIONS ENTERTAINED TO THE METHOD OF PIECE-WORK.

ALTHOUGH the large majority of the working-men and working-women of this country, especially of those employed in our manufacturing industries, are engaged under this method, yet there exists in many trades a deep and wide aversion to piece-work, the nature of which it may be well to discuss in some detail.

It should be remarked that "piece-work" is a term applied under two distinct sets of industrial conditions, referring in some cases to labour performed by a group of operatives, and in others to labour performed by an individual; and when a working-man denounces "the abominable system of piece-work," it will often be found that it is to group work "under the sweating system" that he refers. Leaving to future chapters the discussion of the objections entertained to group piece-work under the various forms of "collective," "contract," and "sub-contract" work, we shall, in this place, confine ourselves to the examination of the grounds upon which is based the popular dislike of the method of piece-work, when applied to the labour of an individual operative, working "single-handed."

One sweeping objection to the method of piece-work rests on grounds moral, no less than material, being founded upon the facilities which piece-work in many instances affords for the growth of pernicious habits. Operatives in piece-work trades, and these by no means the least skilful or intelligent, often spend one or more days in total or comparative idleness, making up for the time thus given up to

relaxation, not always of the most elevating character, by working at a furious pace during the rest of the week. The validity of this objection to piece-work will be admitted by all who are familiar with the facts; though it is scarcely necessary to point out that the evils inseparable from irregular labour exist in an extreme degree in many cases in which the workers are remunerated, not by piece-wage, but by time-wage, *e.g.* in the case of "casual" dock-labourers.

With regard to the effect of piece-work upon the financial position of the operatives, and the tendency inherent in this system to promote friction between them and their employer, the actual circumstances of the case can only be correctly judged by an examination of the details of workshop life. The most frequent of the disputes, to which piece-work gives rise, are those in which it is suspected that the employer is "getting sixpennyworth of work done for fourpence." The difficulty of fixing to the satisfaction of both parties what constitutes "sixpennyworth of work," varies, of course, in different trades. In many of our great textile industries this difficulty exists only to a small extent. The nature of the work to be done, although varying from time to time, does not vary with very considerable frequency. Yet, even in these industries, the number of the permanent types of work, in relation to which a settlement has to be effected is very large. Thus, in his *Industrial Conciliation* (p. 39), Crompton says that in the Nottingham hosiery list "there are statements of prices of no less than 6,000 articles." The lists in the cotton trade are compiled with great minuteness, and are based upon most elaborate calculations; the spinners' list taking into account the amount of yarn actually spun, the number of spindles on the mule, and the fineness of the yarn; while the weavers' list allows for the fineness of the yarn or materials, the closeness of the threads, the width of the cloth, and its length. In these textile trades we have a staple article with numerous, but fairly well defined and comparatively stereotyped varieties. In the boot trade the demands of fashion necessitate the constant creation of novelties, so that the difficulty of satisfactorily fixing a piece-wage is very great. Yet, even in this case, arrangements have

recently been adopted in several centres of the boot trade which promise to overcome this difficulty. When any question arises as to the proper piece-wage to be paid on a new kind of boot, the sample, from which the men are to work, is placed before the Board of Conciliation. This tribunal, upon which both masters and men are represented, compares the sample with certain standard examples—old kinds of boots, in relation to which the piece-wage has already been settled—and, according as the sample more nearly resembles the "seconds" or the "bests" in the standard show-case, so decides whether the novel boot shall be made up on the lower or the higher rate of piece-wage.

In all the cases just cited the principal objection taken to the method of piece-work is in great part removed by special arrangements between the combinations of employees and those of their employers. But there are very many instances in which, on account of the infinite and ever-changing variety of the articles produced, such arrangements as these are deemed impracticable, or in which, although practicable, they do not exist, by reason of the absence of any effective combination among the employees. In such instances the amount of friction caused by the incessant squabbles, which must of necessity take place between the buyer and the seller of labour, can easily be imagined. In some cases the employer appears to pay as high a wage as he can afford, consistently with his making his accustomed rate of profit; in others he will keep an eye on the men's earnings, and, if he thinks that they are making too much money, will lower their piece-wage by "nibbling," *i.e.* by an insidious process of continual petty reductions; in others, again, he will profess his willingness to allow the operatives to earn at the rate of, say, ninepence an hour; but, taking as his standard the rapidity of output exhibited by one or two exceptionally fast workers—of the class called by working-men "chasers"—the employer fixes the piece-wage so low that, with these exceptions, the operatives are quite unable to earn more than sixpence or sevenpence an hour without over-tasking their energies to a grievous extent.

In passing it may be well to observe that, while it is unquestionably true that working-men object to the extraordinary ability of any one operative being used by the employer as a means of unduly forcing the pace, and of thus lowering the remuneration of the general body of workers, yet the allegation so frequently made by unfriendly critics of the working-classes, that they object to piece-work because they dislike to see superior activity rewarded by remuneration in excess of the normal rate, is altogether unfounded.

It may also be pointed out that it is this tendency of employers to take the rate of speed maintained by exceptionally quick workers as the basis of the standard of remuneration, which is, in part, though (as will appear shortly) not entirely responsible for the rules, expressed or tacit, which exist among the work-people in many industries with the object of preventing the work being done with more than a certain *maximum* degree of expedition.

So far we have dealt with cases in which the employee knows beforehand what money he is to get for a given amount of work. If in cases like these the method of piece-work frequently makes for discontent, what can we expect when, as is often the case, the relation between the work to be done and the pay to be received is unknown to the workman? Take, for instance, a repairing job; in such a job are included a number of items, which it is usually impossible to price separately, and the number and character of which can frequently not be ascertained at all until the work is all but finished, fresh defects appearing as the stuff is opened up. Is it wonderful that, when employers pay for repairs of this nature by piece-wage, constant and bitter disputes arise? Take, again, the analogous instance of the "lump" system so deeply detested in the cabinet-making trade, of which a description was given in his evidence before the Sweating System Committee by Mr. Jelliffe, secretary of No. 1 Branch of the Alliance Cabinet-makers' Association:

"Lump-work is an abominable system, whereby the employers sometimes will give you a drawing which does not always denote the amount of work that is in it; and when you are started on the job, they will fix a price for it themselves; they do not give you the option of saying whether you can make it for

the price or not, and then they introduce more work; but through the severe competition which we are put to, we invariably have to put up with it" (Vol. I., p. 316).

Read, too, the evidence given in regard to piece-work in the upholstery trade. In the workshops of a very well-known firm, the operatives are paid a piece-wage based upon a declared time-basis, each man being rated at a time-wage fixed in accordance with his ascertained speed in working. Now, if a man employed here had a chair given him to do, the piece-wage fixed by the foreman being 2*s* 3*d* (say three hours at 9*d*), then, according to the evidence of Mr. Baum, a working upholsterer, secretary of the London Society of Upholsterers—

"If by any mischance the wrong covering is given to it, or something is done that he is not able to do it in the three hours (it is not necessary that there should be fault of his own), he does not receive the pay for the additional hour that that chair would take him to do" (Vol. I., p. 300).

Even apart from accidental hardships of this kind, the whole system of piece-wage adopted in this factory—a system which there is no reason to believe to be in any very marked degree more oppressive than that prevalent in many others—will be seen by reference to the evidence, not alone of the working-men witnesses, but also of the foreman, under whose exclusive control this labour was organized, to be such as might reasonably excite the suspicion and dislike of an employee possessing a moderate degree of self-respect and independence. When a job is given to a man, so many hours are allowed for its completion; if the man takes, say, two hours longer, then he "drops time," *i.e.* he "works two hours for nothing." Perhaps he may make up his loss by completing his next job in two hours less than the allotted time; perhaps be may not. Now, since the foreman (as he himself said) is partly guided in fixing this time-limit by the necessity of getting the work done at a price which shall leave for his employers (to cover rent, taxes, salary of foreman, etc., and profit) a fixed percentage, since working-men are not prone to believe the estimate of the time required for the execution of a job made by a foreman to be infallibly correct, and since this time-limit is fixed by the absolute arbitrament of this foreman, it is not altogether surprising that this method of piece-work is

viewed with strong disapprobation by the operatives engaged in the upholstery trade.*

The tendency inherent in the method of piece-wage to excite discontent, especially in cases in which new kinds of work are constantly introduced, is so manifest, as to require no further illustration. In regard to a certain class of cases the piece-wage payable in respect of a novel article may, it is to be hoped, come to be more and more frequently settled by a Board of Conciliation, such as that in the boot trade above described, or by conferences between representatives of the masters and those of the men. In other cases the dispute may be such as is best settled without interference on the part of outside employers or employees, by negotiations between the owner of the particular factory in which this difference arises and his own workpeople. In cases of the latter class much advantage might be derived from the institution, in relation to the work of a manufactory, of one or more committees of explanation formed for the express purpose of avoiding misunderstandings between master and men. Of this nature are the "mill committees" occasionally found in the woollen trade, to whose useful influence Mr. Allan Gee, secretary of the West Riding Power Loom Weavers' Association, in his evidence given before the Labour Commission on November 11th, 1891, bore emphatic testimony. But my meaning will best be explained by a full description of the working of a Chamber of Explanations in existence in the mines (which are forty-five in number, and give employment to more than six thousand persons) of the Belgian Coal Companies, Mariemont and Bascoup, taken from the Report on the Social Economy Section of the Paris Exhibition of 1889, by M. Jules Helbronner, Member of the Royal Labour Commission of Canada (pp. 29, 30). This chamber is split up into committees, of which there is one for each separate kind of work. The constitution and operation of these committees is as follows :—

* An interesting example of the "pay as you please" form of piece-work (in which the employee receives just what his employers think they can afford to give him) is to be found in the Royal Dockyards, under the name of "task-work" and "tonnage-work;" this, which is collective, and not single-handed work, is described below (pp. 62-64).

"The committees are delegates chosen by the workmen, and a chief elected by the delegates themselves.

"They meet once every quarter the agents under whose orders they work. The meeting is presided over by the chief engineer of the divisions for the material. The meetings are held during work hours.

"The committee inquire into all matters, differences, disputes, &c., that may have arisen between the workmen and the master (here represented by the company); they interpose also in settling the rate of wages, and in all difficulties concerning the regulation of the work.

"The following is given as an instance of the importance of those Chambers of Explanations, and of their working; the case was brought before the chambers for the blacksmiths of the shops:—

"A working blacksmith had to do, from plans given him, and at a rate settled by the chief of the shop, certain difficult pieces of work, which had never heretofore been attempted in the shops. When the work was received, it was noticed that the pieces were not made in accordance with the plans, and the workman who had made them having fallen ill, the correction of the work was entrusted to another blacksmith, who undertook the work under reserve, the hammer, according to his opinion, not being strong enough; the result proved him to have been right. An adjuster was then charged with the correction, and succeeded in arranging it. When it was proposed to deduct the price of the work done by the adjuster from the amount agreed upon by the first blacksmith, the latter protested against such a course, pleading—

"1st. That the iron used for the work was not large enough.

"2nd. That the hammer was not strong enough.

"3rd. That the correction of the work was given to another person, and of a different trade.

"In reply it was argued—

"1st. That he was in no way obliged to make use of the iron in question, and the proper iron was to be had in the store.

"2nd. That he had made no protest as to the insufficiency of the hammer.

"3rd. That the correction of the work could not be confided to him, he being sick at the time.

"All the members present and the complainant himself accepted the correctness of these explanations, on condition that, for the future, in similar cases, it should be clearly understood that, reservations being made in time, the workman should not be held responsible."

I submit to the judgment of employers, whether the above is not a fair sample of the kind of disputes that arise every week, and that are, perhaps, the most difficult of all disputes to settle without friction; and, with the apologies due from a mere student of labour questions for venturing to make a suggestion to practical men, I very respectfully ask, whether it is out of the question that such arrangements as these should be generally adopted? My chief ground for hoping that this plan would succeed, if given a fair trial, is the

belief that the adoption of this suggestion would fulfil two main requirements necessary, in my opinion, to the efficient organization of industry. The first rule for a wise employer is to treat his men as honourable and reasonable beings. The second is to appeal, as often as possible, to the collective honour and reason of the whole body of his workmen, or of those belonging to the section concerned. An appeal made to the honour, arguments addressed to the intelligence, of an individual may often fail; for workmen have tempers, like the rest of us. But the aberrations of individual warmth and personal resentment will, in many cases, be corrected by the cool, calm common-sense of the general body, anxious to secure "peace with honour" within the factory.

While I am not without some confidence that questions in regard to piece-work, so far as they affect the purely financial position of the operative, may frequently be satisfactorily disposed of in the manner proposed, there are other and grave objections commonly entertained to the method of piece-wage, which I can hardly hope that my suggestion will remove. I allude, especially, to the objection made to piece-work on the ground of its alleged tendency to promote a degree of exertion considered to be prejudicial to the welfare of the individual workman and of the working-classes generally.

With respect to the dread of over-exertion manifested by working-men, it is of interest to inquire how far such a feeling is reasonable. Probably, although few of us do not know what it is to be "driven," or are unaware that very many persons suffer grave injury, if obliged to work at more than a fair average speed, yet no one, save a man who had himself laboured as a wage-earner, could give a really satisfactory answer to this question. Adam Smith expressly declares that "workmen, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years;" and cites a case mentioned by an Italian physician, an authority of repute in relation to the diseases incidental to industrial occupations.

"We do not reckon our soldiers the most industrious set of people among us. Yet when soldiers have been employed in some particular sorts of work, and liberally paid by the piece, their officers have frequently been obliged to stipulate

with the undertaker, that they should not be allowed to earn above a certain sum every day according to the rate at which they were paid. Till this stipulation was made, mutual emulation and the desire of greater gain frequently prompted them to overwork themselves, and to hurt their health by excessive labour."*

With this may be compared the facts narrated to me by the head of a large firm in the tea trade. This employer took some of his labourers, men carrying heavy weights, from simple time-wage, and put them on time-wage piece-work (*i.e.* a time-wage supplemented by a premium on the amount of work done); but, at the end of the first week or so, finding that the hope of earning a large premium had caused the men to gravely overtask their strength, and that they were visibly deteriorating in physique, he took steps to secure their working in future at a more reasonable rate. I think, however, that the degree of over-exertion exhibited in cases like the two just cited may, in a great measure, be accounted for by the considerations urged by McCulloch, who remarks, "that this ultra zeal is not manifested, except in case of parties engaged for a short period only, or when they first begin to work under the system."† Thornton says that piece-work "tends to make men overtask themselves."‡ Lord Brassey "has seen much to confirm" the opinion of Adam Smith stated above, and illustrates its correctness by the case

"of the slaves employed as coffee-carriers in the Brazils. These men are employed in removing bags of coffee, weighing from two to three hundredweight, on their heads, in and out of large warehouses and from the warehouses to the shipping. They often carry these immense weights a distance of three or four hundred yards. The men are the most powerful slaves in the Brazils, and they are paid at a fixed rate, in proportion to the amount of work performed. They work with the most intense vigour, in order to earn as soon as possible a sufficient sum, wherewith to purchase their freedom, and generally succeed in accumulating the amount required in three or four years. But they are a short-lived race, and in their devouring anxiety to accomplish their object, too often sacrifice their health by over-exertion, although they are well fed on dried meat, or salt meat from the River Plate, eaten with a large quantity of farinaceous food."§

This instance, no doubt, shows that men can, if performing

* *Wealth of Nations*, bk. i., chapter 8.
† *Treatise on Wages*, p. 70.
‡ *On Labour*, p. 315.
§ *Work and Wages*, pp. 267, 268.

exceptionally heavy work, under certainly an exceptionally strong incentive to exertion—stronger than exists in the case of ordinary workmen employed on piece-wage—be tempted into working at a rate seriously injurious to their health. What we would wish to determine, would be the question to what extent the allegation, that the method of piece-wage tends to promote over-exertion, is borne out by the facts in the case of ordinary workmen.

This is a question to which my own observation does not enable me to give any precise answer. Some men, employed on piece-wage, will strain every nerve to produce a large output; others will produce just so much output as will yield them certain accustomed weekly earnings, and no more; many will purposely turn out less work than they could comfortably produce, because they feel sure that, if the employer sees that they can work at a higher speed, he will alter the standard of remuneration, and nibble their piece-wages down; others, again, will restrict their output in deference to those ideas to which I shall shortly refer under the name of "the theory of the Lump of Labour."

To one point, in particular, I should like to draw attention. In estimating the extent of the injurious pressure exercised by the method of piece-wage it is necessary to take into account, not alone purely physical over-exertion, but also mental strain and worry. Take the case of a man whom I saw making screws; he was working two machines simultaneously, with the assistance of a boy; while, if he had been on time-wage, nothing would have induced him to work more than one machine. It is unquestionable that the nervous tension involved, in many cases,* in looking after two machines at the same time is considerable. What is more, workmen in engineering workshops state, as an universal fact, that the work turned out by a man on piece-wage is not, and cannot be, as good as that done by a man on day-wage, and is repeatedly returned, as not "passing

* There are, of course, cases, in which it is perfectly possible, without any undue strain on a man's powers, to work two machines simultaneously; the opposition to this practice is, no doubt, largely attributable to the Lump of Labour theory, which forbids one man to do "the work of two."

gauge," to be amended "in the man's own time," which circumstance necessarily creates an irritation seriously increasing the strain incidental to this labour. On the other hand, the foreman, under whose supervision the mechanic making the screws just referred to was working, explicitly asserted that the rejection of work done on time-wage was almost as common as that of work done on piece-wage; and I believe this assertion to be not far from the truth.

With a view to ascertaining the actual facts in relation to the pressure incidental to piece-work I have taken numerous opportunities of watching engineers in different workshops while they worked machines driven by power, such as turning-machines, boring-machines, planing-machines, &c. In some instances the workman would require very frequently to attend to the machine, guiding and regulating its action. But in other cases all the work seemed to be done by the steam, while the mechanic was generally occupied in contemplating the machine, occasionally adjusting it very slightly, but for the most part standing apparently idle, with his hands in his pockets. I could not for a long time see how a man working a machine under circumstances such as these could be led, by being put on piece-wage, into over-exerting his faculties in a manner detrimental to his health, or even to his comfort; until one day I came across a mechanic, working a turning-machine, with whom I was able to chat freely in the temporary absence of the foreman. This operative pointed out that, although, when one of these machines is once set going, there is, for the time being, next to nothing in the way of hard work for the workman in charge of the machine, yet, before it is started, the machine must be "set," *i.e.* the material to be operated upon must be placed in exactly the right position—right to a hair's breadth—in relation to the operating part of the machine; and it is here that, in a case like this, the strain and stress of piece-work come in.

Certainly, we are far too prone to forget that workingmen have nerves as well as muscles, and that brain-fatigue is by no means a monopoly of those to whom we ignorantly and arrogantly confine the designation of "brain-workers."

Nothing, as a matter of fact, can be more wearing to a man than to have to perform an operation demanding delicate and accurate adjustment "against time." If we were to compare the case of a workman performing as piece-work a job such as, for example, the boring of a pair of "eccentrics," to that of a surgeon engaged for nine hours in the day in performing a series of operations, such as lithotomy or trepanning, and obliged to do this at high pressure, "against time," we should, after making due allowance for the difference between the two cases, obtain a mental picture which would go far in helping us to realize how great a measure of validity is present in the objection made to piece-work as promoting, under circumstances of frequent occurrence, a kind and degree of exertion injurious to the well-being of working-men.

It might, perhaps, be said that there is no necessary connection between remuneration by piece-wage and special intensity of exertion; because the mechanic, who is on "time-and-a-quarter piece-wage" is under no compulsion, except greed of gain, to work faster than at the normal rate. But, even if a man be quite content to make "time" only, by working only at a normal speed, yet he generally has not the option of maintaining this moderate rapidity of output; for an employer, who puts his men on piece-wage, does so with the express object of forcing the pace; and thus a manufacturing engineer told me that he should certainly discharge any man in his employment who failed to make, at any rate, time-and-a-quarter. That a faster pace is maintained where piece-work is the rule, than in workshops and on jobs where the men are employed on time-wage, is certain; and, wherever piece-work obtains, there workmen, who have passed the prime of their vigour, find it difficult, or even impossible, to secure employment—a circumstance which should not be forgotten in considering the causes of the dislike entertained by the working-classes to this method of remuneration.

To sum up the case in regard to the relation between piece-work and over-exertion. It must be admitted that there are certain circumstances under which piece-work is,

undoubtedly, accompanied by a degree of exertion injurious to the well-being of the workmen. Where the rate of pay is so low that a living can only be obtained by the maintenance of an excessive speed, there piece-work is certainly accompanied by over-exertion. Even where the rate of pay is in itself not specially low, yet if the work be intermittent in its nature, long periods of non-employment occurring, and especially if the supply of labour be considerably in excess of the demand; here, again, the necessity of providing for the wants of himself and his family by earning as much as possible, while the job lasts, will cause the workman to overstrain his faculties. On the other hand, in a trade, in which the great bulk of the workers are able to obtain fairly constant employment, and in which the rate of pay is fairly adequate, there over-exertion will not be found to be an inseparable accompaniment of the method of piece-work. For, when free from the pressure of poverty, the British workman, at any rate, has a sufficient regard for his own health and comfort to leave a margin between his actual exertion, and that which would be possible if he were to work positively "to the top of his bent." Take, for instance, cotton-weavers. If piece-work were, of itself, competent to secure the performance of the *maximum* of work of which the operatives are capable, how is it that employers, in order to encourage rapidity of production, invented the system of "bounties"*—premiums on output supplementary to the piece-wage? or how could we explain the fact that the employers, as a rule, find themselves obliged, in order to get enough work out of their hands, to insist on the utmost vigilance of supervision, the overlookers being paid, not by time-wage, but in proportion to the output of their subordinates, and being frequently discharged on the ground that they have failed to "drive" the operatives into turning out enough work?† And even

* See *post*, pp. 51, 52.

† See the evidence given before the Labour Commission on June 27th, 1891, by Mr. D. Holmes, president of the Burnley Weavers' Association; and by Mr. W. Booth, secretary of the Ashton-under-Lyne District Weavers' Association; and that given on July 10th, 1891, by Mr. T. Birtwistle, secretary of the North-east Lancashire Weavers' Association.

under this "pushing" system, the weavers, as a matter of fact, never work "to the top of their bent" except just before the occurrence of a holiday,* when they wish to earn extra money for their amusement. No one would think of denying that the Lancashire cotton operatives work, on the whole, quite as hard as is good for them; but that these piece-workers invariably, or often, over-exert their faculties can scarcely be asserted. And the same may be said of many other trades in which piece-work prevails.

Although no attempt will be made to give an exhaustive enumeration of all the causes of the unpopularity of piece-work, one circumstance, which largely tends to induce the best men in many trades to dislike this method, must be briefly alluded to. Remuneration by the piece, accompanied, as it so frequently is, by the maintenance of a rate of speed incompatible with careful execution, is detested by workmen who take a pride in their work. Piece-work unquestionably leads, in many cases, to scamping. It is in piece-work shops that "those hateful words—*that will have to do*" (as a working engineer once called them) are heard on every occasion. It is not meant to be asserted that every working-man, without distinction, objects to scamp his work. But it is undeniable that very many artisans are true artists, and honestly detest the slovenliness of execution, which is, in many industries, the inseparable accompaniment of piece-work.

Whether, in deference to the objections entertained by the working-classes to the method of piece-wage it would be practicable and proper to do away with piece-work, is a question which it would be difficult to answer in the affirmative, unless one were prepared to assert that, if all our operatives were put on time-wage to-morrow, they would, as a rule, although the stimulus of piece-wage had been removed, display the fullest degree of exertion which they were capable of exhibiting with a due regard to their health and reasonable comfort. Now, to make this assertion would be to insult the

* See the remarks of Mr. Mundella, M.P., and the evidence given before the Labour Commission by Mr. W. Noble, of the United Cotton Manufacturers' Association, on July 25th, 1891. My own enquiries tend to establish the same fact in regard to the cotton-spinners.

working-classes by flattery, not only false, but futile, because its falseness could not escape instant detection and contemptuous contradiction. It is better to tell the truth, which is (1) that men on time-wage do not invariably "do their level best," and (2) that there is an idea prevalent among many, and these by no means the least intelligent of our working-men, that it is wrong for men whether on time-wage or on piece-wage, to do their level best.

I have already admitted that no one not himself a wage-earning worker can judge with perfect accuracy what constitutes, in relation to the labour of working-men, a due degree of exertion; but that operatives, the amount of whose remuneration does not depend on the amount of their output, frequently saunter over their work in an unjustifiable manner is a fact patent to all who have any familiarity with industry. This fact comes out with special distinctness in cases in which operatives, who have been working on time-wage, are put on to piece-wage. Certain sole-sewing operators, in a boot manufactory with which I am acquainted, when put on piece-wage, were found to have about doubled their output, with the result that four machines, worked by men on piece-wage, were shown to be yielding approximately the same amount of output as seven machines had previously yielded when the operatives were on time-wage. In a bicycle factory the superior activity of men on piece-wage was impressed upon me by my seeing three brazing-hearths out of five standing cold and vacant—a puzzling sight, because the whole place was bustling with work, orders being plentiful. The explanation was that, the men having recently been put on piece-wage, two men were now doing the same amount of work as was formerly done by five men on time-wage. I have, in instances too numerous to mention, found that the excess of work obtained by putting men on piece-wage has been from 30 to 50 per cent. One instance of this nature deserves special notice. A man employed in a dockyard in making "washers" by the aid of a boring-machine was asked by a visitor (whom this workman apparently took to be a trade union "investigator") how many washers he was making per day. The answer was—"Now that I am on piece-work, I am making

about double what I used to make when on day-work. *I know I am doing wrong. I am taking away the work of another man.* But I have permission from the Society." The words in italics are referable to the belief so firmly entertained by a large section of our working-classes—whether employed on time-work or on piece-work—the conviction that for a man to exert his energies up to the point which just stops short of undue exertion—to do his level best—is inconsistent with his own interests, and with loyalty to the cause of labour. The basis of this belief, which is in a large measure responsible for the unpopularity of piece-work, is that noteworthy fallacy to which I desire to direct attention under the name of "the theory of the Lump of Labour."

In accordance with this theory it is held that there is a certain fixed amount of work to be done, and that it is best in the interests of the workmen that each shall take care not to do too much work, in order that thus the Lump of Labour may be spread out thin over the whole body of work-people. As the result of this policy, it is believed that, the supply of available labour being in this manner restricted, while the demand for this labour remains (as it is supposed) unchanged, the absorption into the ranks of the employed of those who are now out of work will follow as a necessary consequence.

In relation to this idea, it must be pointed out that it is not altruistic sentiment alone that makes a working-man reluctant to do more work than at present for fear of increasing the number of the unemployed. Any increase of the unemployed not only casts a heavy burden upon the funds of the Trade Union, if out-of-work, or even travelling, pay is among the benefits which it give to its members, but also increases the number of men whom dire distress may at any moment induce to "scab the work," *i.e.* agree to work upon terms less favourable than those demanded by the organized workers, and so tends to depress the rate of wages all along the line. On the other hand, if by any means it may be possible to bring about a state of things in which the available supply of labour shall have become smaller than the demand, then, since (as it is assumed) two masters will now be running after one man, the operatives, having succeeded in this "corner,"

will, it is hoped, be able to obtain for their labour a very much better price than at present.

This is a programme which has for a long time fascinated the minds of our industrial classes. Going back some sixty years to the early days of combination in the woollen cloth trade, we find the Trade Union attempting to reduce output in a characteristic manner :—

"The overlookers of a large factory were summoned before the committee, and ordered to pay the workpeople in their establishment at the rate of 21*s* a week, and not by the piece. Upon this the overlookers produced the books of the mill, and proved to the committee that the men were then earning 23*s* a week at piece-work."

The orders of the union were obeyed;

"and at the end of the week the master discovered that his workpeople had only turned off as much as was worth 15*s* at the usual price. . . . The absence of the stimulus of being paid according to the work done was doubtless one cause of the relaxed exertion of the men, but the large decrease was owing to the express commands of the committee."*

In many of the rules prohibiting a man from doing his level best (for example, the rules restricting the number of bricks that a man may carry to a great height, mentioned by Thornton,† and explained by Howell,‡ the regulations established by the Glasgow plasterers, referred to *ante*, p. 15; and the rules in the glass trade, *ante* p. 15 (compare p. 25), we can recognise as their principal object the discouragement of injurious over-exertion on the part of the workmen and the prevention of "nibbling" and of "chasing," "forcing the line," and similar obnoxious practices on the part of employers;§ but in others there is no concealment of the fact that the aim is to spread the Lump of Labour thin. Thus the Bradford lodge of the Labourers' Union was, during the Trade Union Commission of 1867-1869, shown to have the following rule :—

You are strictly cautioned not to overstep good rules, by doing double the work you are required by the society, and causing others to do the same, in order to get a smile from the master. Such foolhardy and deceitful actions leave a great portion of good members out of employment all the year round."

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* This account is taken from *Workmen and Wages*, by J. Ward, pp. 97, 98.

† *On Labour*, p. 329.

‡ *Conflicts of Capital and Labour*, 2nd edit., p. 338.

§ See *post*, p. 52.

In the same sense is the condemnation of piece-work cited from the *Trades Union Magazine*, by Mr. J. Ward:—

"The worst passions of our nature are enlisted in support of task-work [piece-work is meant]. Avarice, meanness, cunning, hypocrisy, all excite and feed upon the miserable victim of task-work, while debility and destitution look out for the last morsel of their prey. A man who earns, by task-work, 40*s* per week, the usual wages by day being 20*s*, robs his fellow of a week's employment." *

The theory of the Lump of Labour will be seen to rest upon the utterly untenable supposition that a fixed amount of work exists, which has to be done, and will be done, irrespective of the conditions under which work is done, and, in particular, irrespective of the efficiency of the labour employed; and that, the more work is done by any one workman, the less work remains to be done by all other workmen. A full treatment of this subject would take us too far afield. But the character of this fallacy will best be understood, if the objection entertained to a man's doing his level best is compared with the precisely similar objection to a man's using the best available tools; in other words, with the popular objection to the use of motor power and machinery. No clear thinker believes that, in order to provide labour for the unemployed, it is advisable that we should give up steam-ploughs for ordinary iron ploughs, these again for wooden ploughs, and, in the ultimate resort, should abandon these instruments and scratch the ground with the fingers. Just so, in regard to this doctrine of the Lump of Labour, it should be perceived that it is against the best interests of the community at large, and, first and foremost, of the working-classes, for working-men to handicap the industry of the nation in deference to a theory which proclaims it to be the duty of every man to work, as it were, with one hand tied behind his back.

* *Workmen and Wages*, p. 244. Compare the objection to co-operative piece-work, which Mr. R. Cridge, a stevedore, in his evidence given on July 15th, 1891, stated to the Labour Commission. "They [men on piece-work] work ever so much harder than they do at day-work, and therefore double their wages. It is not at all an uncommon thing for our men to earn 16*s* or 17*s* a day while executing that work. You are prepared to admit that is more than double the wages [of men on time-wage]. Now, that, I should say, is not right, inasmuch as, if they were to share that day's labour and wage among so many men that are standing outside, it would be better for all persons concerned."

With the question of the length of the working-day we have here nothing to do. Still, I shall not conceal my opinion that the claim of the working-classes to possess an amount of leisure adequate for the purposes of rest, of education, and of recreation is one in an eminent degree deserving of recognition. But, while a reduction of the hours of labour—say, to eight in the day—may readily be admitted to be, on grounds both economic and social, highly desirable, yet it is no less desirable that during those eight hours every working-man in the country shall, using the best available tools and machinery, and performing as much labour as he can perform without exerting himself to an extent prejudicial to his health or inconsistent with his reasonable comfort, produce as large an output as possible. In the interests of the people as a whole, it is expedient that the remuneration of the labour of the industrial classes shall be increased; and, since this remuneration is paid out of the national income, it is a matter of great importance, not only that the working-classes shall succeed in obtaining for themselves a far ampler share in the national income than they at present receive, but also that the productive powers of the working-classes shall be exercised in a manner calculated to secure that this income shall be of the largest possible dimensions.

CHAPTER VI.

PROGRESSIVE WAGES.

THE common characteristic of all forms of progressive wages is that in every case a fixed or *minimum* wage is supplemented by a premium paid in respect of efficiency.

"Time-wage piece-work," the first form of progressive wages to come under our notice, differs from piece-work pure and simple in this that the employee engaged on time-wage piece-work is guaranteed a *minimum* remuneration, the amount of which is based upon the length of the period during which he is occupied, irrespective of the amount of work turned out during this period, with an agreement, that, if this amount shall exceed a specified *quantum*, then the man shall get an additional sum as the price of this extra work. In piece-work proper this guarantee is, of course, absent.

This method may be illustrated by the case of workmen in engineering workshops, making articles such as, for instance, valves at a fixed time-wage with an arrangement that every valve produced in excess of a specified number shall entitle the workman to a specified addition to his time-wage. It may be remarked, that the reason given to me in one case, and no doubt existing in many other cases, to explain the adoption of this system was the desire of the employer to induce the men to work at a high rate of speed, while avoiding putting them on simple piece-wage. For, many engineers, especially members of the Trade Union, entertain a great objection to piece-work.

Again, I found that, while the majority of the men working sole-sewing machines in the East London boot trade were on

time-wage, a special class of these operatives received, in addition to their time-wages, a specified sum for every pair of boots over a fixed number sewn within the week. The reason here was this. As a rule, these men either work as servants in the factories of the manufacturers, or else work machines of their own, carrying on this industry on their own account. In the former case the supervision of the employer, in the latter the operator's desire of gain secures his putting forth his best energies. But the employer, for whom these men on time-wage piece-work were working, was a man who owned a number of machines scattered through the boot-making districts at a great distance from his office. He had adopted this system in order to induce these operatives to work at a speed, which it was not likely that they would under these circumstances exhibit, if on simple time-wage.

One class of workers, to whose labour the method now under consideration is specially applicable, is young hands being taught their trade, and especially indentured apprentices. For all such beginners the promise of an addition to their small fixed wages dependent upon their putting forth their best exertions affords an incentive of great practical value, this method rewarding perseverance and industry with a graduated scale of reward proportionate to the increasing proficiency of the novice. In some cases this extra remuneration takes the form of a gift not strictly proportionate to the output, but withheld if the amount of the output is unsatisfactory; in others a more rigid system is adopted—a true system of time-wage piece-work.

To exemplify by a concrete example we may take the case of apprentices, whom I saw at work in the movement-cutting room of a large watch manufactory. The *minimum* output, which must be reached before any "exertion-money" is earned, is fixed by the foreman, who tests the matter by actually working each machine. All work turned out above this *minimum* is paid for in proportion to its excess over this standard. Here are the earnings for four weeks of two girls rated at 10*s* per week, but each of whom, as will be seen, lost some of this time-wage through coming late to work:

A.	Total earnings . . .	£3	1	$7\frac{1}{2}$
	Time-wage	1	19	$8\frac{1}{2}$
	Exertion-money . .	1	1	11
B.	Total earnings . . .	2	13	$4\frac{3}{4}$
	Time-wage	1	19	$7\frac{1}{2}$
	Exertion-money . . .	0	13	$9\frac{1}{4}$

It will be observed that apprentice A managed to turn out half as much work again as the standard output, while B exceeded this limit by one third. The ratio of exertion-money to fixed wage will be found to be much greater in the case of some apprentices than in that of any adult workers, since the industry and capacity of the latter is more generally uniform. While I have known a boy learner to earn a premium equivalent to 75 per cent. on his time-wage, in the case of adults the ratio of exertion-money to fixed wage in this country seldom (so far as my experience goes) much exceeds from 15 to about 20 per cent.

The extent, to which, in some cases, the fixed or *minimum* wages of Continental workers are supplemented by exertion-money, may be exemplified by the instance given in M. Paul Leroy-Beaulieu's *Essai sur la répartition des richesses* (p. 373) in regard to weavers, "a female weaver, who has in a fortnight's work, produced a quantity of cloth exceeding the specified *minimum* output by one piece, receives, as exertion-money in addition to her ordinary piece-wage, the sum of 2 francs; but if her excess amount to two pieces, she gets, not only 2 francs for each extra piece, but also, as special exertion-money, the further sum of 1 franc;" say, in all 5 francs.* M. Leroy-Beaulieu calls this "progressive wages," a term

* Further to illustrate the large premiums paid in France may be mentioned a case (communicated to the writer by M. Emile Chevallier, author of *Les Salaires au XIXme Siècle*) in which a manufacturer of fishing nets pays his workmen thus: If a man makes sixteen nets, or any smaller number in a month, he receives 3 francs for each net; if he makes more than sixteen in the month, then for the seventeenth and eighteenth net he receives $3\frac{1}{2}$ francs apiece; for the nineteenth and twentieth, 4 francs apiece; for the twenty-first and twenty-second, 5 francs apiece; and so on.

which I have ventured to adopt, and to extend to other closely allied methods of remuneration. The particular case cited by M. Leroy-Beaulieu I should call "Progressive Piece-wage."

When the premium under the method of progressive wages is given in order to secure speed in working, care must be taken that quantity of output is not gained at the expense of quality. I know a case in which yarn-washers (in the woollen trade) had to be taken off time-wage piece-work and put on simple time-wage, because under the former method they were induced to "rush," and scamp the work.

It should be observed that the system of paying a bonus on output appears to exist in at least three distinct forms. First, we have the system above described, in which each worker gets a premium proportionate to the excess of his work over the standard output. A second form is that in which each worker, who exceeds the standard, gets a premium fixed irrespective of the ratio of the excess to the standard. This might be called premium day-wage or premium piece-wage, according to the nature of the fixed or *minimum* wage of which the premium is the supplement. As an example of workers remunerated by premium day-wage may be mentioned the wine-bottlers, whom I found at Rheims receiving five francs a day, with a *prime* of one franc extra if the man bottled more than a certain number of bottles in the day. Premium piece-wage was formerly common in the Lancashire cotton trade, until the Trade Unions procured its abolition, except in a few factories remote from their influence.* When

* As to the various forms of bonus on output still occasionally paid to the operatives in the Lancashire cotton trade and the objections entertained to the system, see the evidence given before the Labour Commission on June 27th, 1891, by Mr. D. Holmes, president of the Burnley Weavers' Association: Mr. Holmes, who said that the "bounty" system does not prevail much, defined the bounty as "a stimulant that is administered in order to get those most efficient to produce the greatest amount to the detriment of those who cannot." The operatives having by the hope of earning bonus been incited to produce the utmost output of which they are capable, the employer—Mr. Holmes explained—thus ascertains what is the quickest rate that the very best weavers can maintain, and then proceeds to discharge all those whom he finds to be incapable of working at this speed. As to the bonus system in the woollen trade and its objectionable features, see the evidence given before the same Commission

he offers a premium if a certain *quantum* of output be exceeded, the prudent employer takes care to fix that *quantum* so high that it is practically impossible for many hands to earn the "bounty." Otherwise, in his effort to set the hands racing, one against another, he might find himself, more often than suits him, paying a bonus of 1*s* or 1*s* 6*d* in return for an excess of output not worth more than 3*d*. In the third form of the bounty system a prize is offered to a small number among the operatives (sometimes to one only) who may within a given time produce the largest output. I have known this system in force among female operatives in large telegraph construction works. This might be termed prize day-wage or prize piece-wage, as the case may be.

The payment of a premium or of extra wages to one operative among a number, with a view to forcing the pace of all, is a practice strongly condemned by the Trade Unions. In cases in which an employer finds it impossible to induce his men to work on piece-work, it is not uncommon for him to obtain a high output in return for time-wages by giving a *douceur* to one or more operatives, who set the pace and keep their fellows up to it. To this class belong the "chasers" to be found in engineering workshops, and the "runners" and "bell-horses" employed on building jobs. The runner's duty is a sort of all round hurrying-up and hustling; the bell-horse acts in the same capacity, especially in "forcing the line." The best general explanation of his functions may be given, if we suppose two men starting on a line of brickwork, and having to meet in the middle. If either of these bricklayers finds it made worth his while, he can, by working fast himself, compel the other to follow suit; and the same is the case where many more than two bricklayers are at work, though, where the line is long, the employer will, if possible, put on a bell-horse, remunerated by some sort of addition to his regular wages, at each end of the line. The oppressive

on November 11th, 1891, by Mr. W. H. Drew, representing the Bradford and District Branch of the Weavers' Association. Mr. Drew stated that the employers, as soon as by offering a bonus they have discovered the highest speed that a weaver is able to maintain, begin to "nibble" the piece-wage, *i.e.* to lower the standard of remuneration.

tendency of this peculiar system of prizes will not escape the reader, who should compare the remarks contained in Chapter XII. *post* ("on piece-wage foremanship"), many of which will apply with equal force to the method adopted in cases similar to those just described.

In some instances, in which a fixed or *minimum* wage is supplemented by a premium, the amount of this premium is made to depend upon the qualitative, rather than the quantitative, character of the work done, as exhibited in the avoidance of waste, in the perfection of the result obtained, and so on. Examples of this method will be found in the working of railways. Engine-drivers are in many cases paid a premium based upon the economy effected in their use of coal and oil, and also rewards based upon the punctuality with which their trains are run; and receive special additions to their regular pay in respect of special zeal and discretion, by which accidents are avoided. In the same way, engine-cleaners on some lines are paid a small sum in respect of every tyre in which they discover a crack.* Some companies give a half-yearly bonus to each signalman who does his work satisfactorily.

With regard to payment of premium for avoidance of waste, care must be taken lest the men be tempted and permitted either to sacrifice efficiency to economy, as occurs when an engine-driver, rather than use sufficient fuel, brings his train in late, or to produce a false appearance of economy by using material improperly obtained, as is said to occur in the case of engine-drivers, against whom I have heard allegations made of surreptitiously appropriating coal provided for use in railway-stations. The first of these defects in the method now under consideration is usually obviated by awarding a premium for punctuality in addition to that given for economy, so arranged that it is made to the interest of the

* It may be of interest to remark that, in the construction of engines, &c., if the operative discovers a flaw in the material, he in some cases receives what is virtually a premium on vigilance. For, in some workshops, if an operative detects such a flaw, he is paid the full piece-wage of the operation on which he was engaged, though the (*e.g.*) axle, which he is turning, is at once condemned, and no more work done upon it. If he is on time-wage, he receives a present of one day's pay.

driver to secure punctuality, even at the expense of economy;* but the latter defect seems inseparable from the system.

In the same economic category with time-wage piece-work, must be placed those numerous cases in which a man in receipt of a fixed wage or salary receives, in addition, a commission on sales. These are all cases of progressive wages.

The payment of commission to salesmen is most common in those cases, in which either the establishment is of considerable dimensions, or the sales take place at a distance. In neither case is it feasible for the employer by incessant personal supervision to secure the exhibition of the fullest possible amount of zeal on the part of an employee in receipt of a simple time-wage. Thus, the salesmen in large linen-drapers' shops are given, in addition to a weekly wage, a commission on the sales which each may effect; the same method is usually adopted in regard to commercial travellers.

In respect to salesmen in shops it must be pointed out that one evil result almost necessarily accompanies the ordinary practice of giving commission on sales. If shopman A is too busy to attend to a customer, he frequently, instead of passing this client on to shopman B, who is disengaged, does his best to get the customer to wait about until he, A, is free to look after the matter; and, often, before this occurs, the intending purchaser, his patience being exhausted, walks out of the establishment, perhaps never to return. This undesirable result of giving commission to salesmen may be to a great extent obviated by making the commission a sum dependent upon the total sales of the whole department, and divisible among all the employees as collective remuneration.†

With regard to commission on sales it must further be remarked that, under certain circumstances, the payer of commission stands a chance of over-reaching himself. For

* In France the premium for punctuality is treble that on economy; "English Railway Problems," by T. C. Farrer, *Economic Journal*, June, 1891, p. 354.

† See *post*, pp. 68, 69.

the salesman may not only be tempted into selling on credit to persons whose credit is bad (though fear of dismissal generally prevents this), but in his eagerness to sell a large amount of goods may make his sales at prices unduly low. These observations apply, of course, not so much to salesmen in retail shops as to that considerable class of salesmen and travellers employed by wholesale firms, to whom a more or less wide discretion in regard to the matters here alluded to is given. In a case like this I have known an employer, for the reason above indicated, to give his salesman, in addition to his salary, and in place of a commission, a small share in the profits of the business.

In the United States, where the desire to keep the cost of production down to the lowest possible point by obtaining the *maximum* of efficiency in production, seems to be even keener than here, we have instances of the application of the method of progressive wages under elaborate schemes which are frequently cited as examples of Profit-sharing, but which, in fact, are based upon lines fundamentally distinct from those of Profit-sharing, the "bonus" in cases of the class here alluded to being payable without any regard to the profit made, or loss incurred by the sale of the product. To these schemes it will be convenient to refer under the name applied to the system by one of its principal exponents,* that of "Gain-sharing."

An example of Gain-sharing is found in the system carried out by Mr. Alfred Dolge, of Dolgeville, New York, manufacturer of piano-felt and felt shoes. The operatives are paid day-wage. Their employer fixes a standard rate of output, and the workman, who gets through his task at a faster rate, is rewarded by a premium proportionate to the excess above the standard. In the words of M. Jean, the representative of Mr. Dolge at the Paris Congress on Profit-sharing of 1889: "We base our calculation on the average normal time required for the completion of each job. Suppose that the average time required for a given job is five hours; if, then, a workman only takes four hours to do this job, he will have earned for the firm a profit representing

* Mr. Henry R. Towne, see *post*, p. 85.

one hour's work [*i.e.* will have saved the firm the price of an hour's work]. Most of the articles manufactured by us pass on the average through the hands of twenty-two distinct operatives. The labour-cost is checked on every occasion when the article passes from one operative to another."*

In order still further to elucidate the practical bearings of the method of Gain-sharing it has seemed proper to set forth at length the detailed observations made in a paper on "The Premium Plan of Paying for Labour," by Mr. F. A. Halsey, read before the American Society of Mechanical Engineers in June, 1891.†

"The time required to do a given piece of work is determined from previous experience, and the workman, in addition to his usual daily wages, is offered a premium for every hour by which he reduces that time on future work, the amount of the premium being less than his rate of wages. Making the hourly premium less than the hourly wages is the foundation stone on which rest all the merits of the system, since by it, if an hour is saved on a given product, the cost of the work is less, and the earnings of the workmen are greater than if the hour is not saved, the workman being in effect paid for saving time. Assume a case in detail: Under the old plan a piece of work requires ten hours for its production, and the wages paid is 30 cents per hour. Under the new plan a premium of 15 cents is offered the workman for each hour he saves over the ten previously required. If the output be doubled, the wages paid per piece will be reduced 25 per cent., but the workman's earnings per hour will be increased 50 per cent. Were the premium less than 15 cents per hour, the reduction in cost for each hour saved would be greater, and the workman's earnings less. On the other hand, the workman would have a smaller incentive, and the time would not be reduced so much. The output would be less, and the net result might be worse for both employer and employee. This raises the inevitable question: What should be the rate of the premium? Nothing but good sense and judgment can decide in any case. In certain classes of work an increase of production is accompanied with a proportionate increase of muscular exertion, and if the work is already laborious a liberal premium will be required to produce results. In other classes of work increased production requires only increased attention to speeds and feeds with an increase of manual dexterity, and an avoidance of lost time. In such cases a more moderate premium will suffice. Any attempt, however, on the part of the employer to be greedy and squeeze the lemon too dry, will defeat its own object, since if a trifling premium be offered, the workman will not consider it worth while to exert himself for so small a reward, and the expected increase of output will not take place. On the other hand, if the premium offered be too high, the employer will simply pay more

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* *Congrès International de la Participation aux Bénéfices, Compte Rendu in extenso des Séances*, Paris, 1890, p. 138. See also *Chambers' Journal*, October, 1891.

† Printed in the (American) *Railway Review*, July 11th, 1891, pp. 449, 450. A summary is given in *Engineering*, September 25th, 1891.

than necessary for his work, though less than he has been paying. If the rate of premium is decided upon judiciously, it may and should be made permanent. No cutting down of the rate should ever be made unless, indeed, improved processes destroy the significance of the first time-base. Every increase of earnings is necessarily accompanied by a corresponding decrease of cost, and if the premium be such as to give these a satisfactory relation, the workman may be assured that there will be no limit set to his earnings; that the greater they are the more satisfactory they will be to the employer. The importance of this cannot be too strongly insisted upon. If the premium be cut, the workmen will rightly understand it to mean, as under the piece-work plan, that their earnings are not to be permitted to pass a certain limit, and that too much exertion is unsafe.* The very purpose of the plan is to avoid this by so dividing the savings between employer and employee as to remove the necessity for cutting the rate, and hence enable the workman's earnings to be limited only by his own ability and activity. The baneful feature of the piece-work plan is thus completely obviated, and instead of periodical cuts with their resulting ill-feeling, the premiums lead the workman to greater and greater effort, resulting in a constant increase of output, decrease of cost, and increase of earnings.

"The broad-minded employer will not fail to recognise that his own gain from the system comes largely from the increased production from a given plant, since not only does the system reduce the wages-cost of the piece of work in hand, but in so doing it increases the capacity of the plant for other work to follow. The advantages from this source are so great as to render unnecessary any refined hair-splitting as to the rate of the premium. . . .

"In carrying out the plan in connection with work which has been reduced to a manufacturing basis, the writer finds the following form of time ticket convenient:

TIME TICKET.

Name of Part..... No. of Pieces... .....

Operation..... Workman.....

HOURS.

Date	7	7½	8	8½	9	9½	10	10½	11	11½	12	12½	1	1½	2	2½	3	3½	4	4½	5	5½	6	Over time

Machine set by..... Time.....hours.

This ticket is issued by the foreman, the blanks at the top being filled up by him. If desired as a check, he punches a hole on the line, indicating the hour when the work is given out, repeating the same when the work and ticket are returned. The record of the time is kept by drawing a line between the various hour marks, an operation which the most illiterate can perform. The ticket provides for

* Because of the danger that the employer may alter the standard of remuneration by "nibbling" down the piece-wage. See *ante*, p. 31.

several days' work, and is not returned until the work is completed, when it contains the record of the entire job.* On the back of the ticket is printed the following:

"'According to previous experience, this work should require.....hours. If completed in less time than that, a premium of.....cents will be paid for each hour saved.'

"When the ticket is returned, a comparison of the back with the front shows the premium earned. This is entered opposite the workman's name, in a book kept for the purpose, which is a companion to the usual time-book or pay-roll. On pay-day the accrued premiums are paid to each workman along with the regular wages. The cost-book is written up from the ticket in the usual way, except that as the ticket usually contains the record of several days' work, the labour of keeping the cost-book is much abridged."

It will be seen that, in the form just described, this plan is applicable to those cases only, in which it is practicable to estimate in accordance with previous experience what amount of time would be required by a man working at average speed in order to complete each separate part of the work. In those cases, in which the framing of a detailed estimate in regard to each part of a job is not convenient, Mr. Halsey recommends that the estimate be made as to the entire job "in the lump," and that the job be then given out to a group of workmen under the method of collective, instead of individual, Gain-sharing (see *post*, p. 74). In regard to new work, undertaken for the first time, the estimate, which forms the basis of Mr. Halsey's plan, will be founded, not upon past experience, but upon a fair calculation made by the employer.

One objection which—it may be anticipated—will be raised against the adoption of any system of progressive wages similar to those just described, is that this method involves so large an amount of complicated book-keeping as to render its adoption almost impracticable. But the feasibility of checking and rewarding the results of special assiduity and carefulness is proved by the actual practice of the highly successful businesses in which this is actually done, such as the American

* "This rule holds, even when the job, after being partly finished, is interrupted by something more pressing. In such a case the ticket is taken up by the foreman, in order to ensure that the entries have been made for the completed work. He issues the ticket again when the work is resumed, and when all is completed this ticket goes to the office, where a single entry in the cost-book records what, under the usual method, might require a half dozen or even more entries."

examples just cited and the cases mentioned in the note at foot,* and those referred to in Chapter IX., *post,* where the application of the method of Gain-sharing to the remuneration of group-labour is dealt with. And it must be remembered that in many business concerns, in which no attempt is made to carry out any form of Gain-sharing, the labour-cost of every article is habitually checked at each stage of its manufacture with the most elaborate precision, so that scarcely any addition to the work of the staff, by whom this cost is calculated, would be demanded, if it were determined to adopt some kind of Gain-sharing. Once established, the statistical system required for the adoption of this industrial method, will prove of the greatest service, enabling a manufacturer by a reference to the entries in his books relating to past orders to fix speedily and accurately the price, at which he shall undertake the execution of any new order.

* The reader anxious to further investigate the method of progressive wages will find useful details in regard to this system, both as applied in the case of men working single-handed and as applied in the case of groups, in a book published in connection with the Paris Exhibition of 1889 by the Comité Départemental du Rhône, *Rapports et Documents de la Section d'économie sociale et d'assistance*, Lyons, 1889, especially as to the Maison Dognin; and in the Report on the same social economy section prepared for the Canadian Government by M. Jules Helbronner; where see as to the Moutier works, the carding and spinning factory of Seydoux, Sieber & Co., and the mines and foundries of La Vielle Montagne.

CHAPTER VII.

COLLECTIVE TASK-WAGE.

In regard to collective task-wage it will be necessary only to state the definition of this term. Work is performed under the method of collective task-wage in those cases, in which an employer agrees to pay to a group of operatives a remuneration consisting in a time-wage, their right to receive which is to depend upon the execution by the group of a specified *quantum* of labour within a specified period.

CHAPTER VIII.

COLLECTIVE PIECE-WAGE.

THE method of collective piece-wage may be illustrated by the case of the operatives employed in the flint-glass trade. The peculiar features of the basis, upon which the rate of wages in this industry is reckoned, have already been explained (*ante*, p. 25). There we examined the method adopted in the remuneration of a man working single-handed. In operations such as the making of wine-glasses, in which combined labour is required, the plan adopted is as follows:— The men work in a group called a "chair," composed of (1) a "gaffer" or "workman," (2) a "servitor," (3) a "foot-maker," and (4) a boy or "taker-in." The members of the chair are rated in proportion to the degree of skill demanded by the work allotted to each. Thus, in a chair, which I saw at work, the gaffer was rated at 6*d* per hour (nominal), with the (nominal) condition, that the chair should produce six wine-glasses per hour, say, in fact, at the rate of 1*d* per wine-glass; the servitor was in the same manner rated at 5*d*; the foot-maker at 3*d*; and the boy at 1½*d*. In each "term" (*i.e.* shift) of six hours this chair was actually making eighty wine-glasses; the collective remuneration of the group thus amounting to 17*s* 2⅔*d*, out of which 6*s* 8*d* became due to the leading man (gaffer), 5*s* 6⅔*d* to the servitor, 3*s* 4*d* to the foot-maker and 1*s* 8*d* to the boy.

It may, in passing, be remarked that, as a rule, the lump sum paid to a group as collective piece-wage should (as in the case just cited) be divided by their employer between the members of the group in such proportion as may be accepted

by them as equitable—a proportion based upon the relative skill demanded by the work of each, and not upon any attempt to incite the leading man to "hustle" his mates into over-exertion by giving him an unduly large proportion of the collective wage.

An example of collective piece-wage upon a most extensive scale is to be found in the organization of the Royal Dock-yards, where it is known as task-wage (in cases in which the work is measured by the foot, &c., or counted), or tonnage (in cases in which the amount of work done is fixed by the weight of the material put into a ship). The size of some of these groups of workmen is very large. Thus in connection with one ship I saw a group of 390 men working on collective piece-wage, the group including, not alone the workmen engaged in the building of the vessel, but also men in the machine-shops preparing the material; thus, a man punching holes in a plate with a punching-machine was employed on tonnage jointly with the rivetters, &c., working on the ship. Some of the groups are much smaller. I saw two sets of 30 men each, one on each side of a cruiser's bottom, into which new bolts and planks were being put at so much per dozen bolts and so much per dozen planks; groups of 10 to 12 men each moving timber (with horses) from one part of the yard to another at so much per cubic foot; sets of 4 and of 3 smiths, and a set of 2 sawyers, working together in the same manner. On the other hand, I was informed that in some cases a group consisting of as many as 600 or even 700 men is employed on collective piece-wage.

Every man is separately rated at a certain rate per day, and the lump sum paid for the joint work of a group in respect of a given job or quantity of work is divided by the Admiralty officials between all the members of the group, in proportions corresponding with approximate accuracy to the different rating of each.

The application of the method of collective piece-wage in the dockyards is of recent introduction, having first been adopted about four years ago, and its results are considered by the officials to be satisfactory. The workmen engaged on different ships in course of construction were said to earn an

excess over their rated day-wage at the rate of six per cent. in one case, twenty per cent. and twenty-five per cent. in others, the higher rates prevailing in the cases of ships whose construction has been recently commenced; while the ships are said to be built on the average in twenty-five per cent. less time, and at twenty-five per cent. less cost than formerly. I was told that, when the *Impérieuse* was half-built, the tonnage and task-work system was introduced, with the result that the men earned twenty-eight per cent. more than they had formerly earned when on time-wage, and the labour-cost was fifty per cent. less than for the first half of the ship.

On the other hand, the workmen have, in many instances, viewed the new system with much disfavour; and it is undoubtedly open to criticism on some points. One valid objection to this task and tonnage plan, especially when applied on a very large scale,* is that it has too much of a "pay as you please" character (see *ante*, p. 33), there being nothing in the nature of a real agreement between employer and employed as to the standard of remuneration. In other words, there is nothing to show the workman that he is not "doing sixpennyworth of work for fourpence." The officials frame an estimate of the total cost of a ship, an estimate which, of course, includes a certain amount in respect of the cost of labour. The work done each week is measured up, and compared with the total quantity of work which has to be put into the ship. This ratio being thus established, a more or less exactly proportionate part of the total amount of the estimated labour-cost is divided up between the men in the group. It occurs sometimes that the officials find that the money is going too fast: in that case the weekly pay is reduced; but the men never—I was informed—get less than their rated day-wage, and, taking one week with another, generally earn a good deal more. How far the excess over the rated pay corresponds with the excess over normal speed in working displayed by the workmen, it would be difficult to say.

* In the case of a small job, the workmen, to whom—I was informed—the total lump sum allotted for the work is, if they wish it, communicated, could reckon what the job would "work out at," and ascertain the standard of remuneration adopted: otherwise, obviously, in the case of a large job.

In fixing the estimated labour-cost of the ship—the total lump sum out of which the piece-wage is, week by week, paid to the men—the officials have to take into account a variety of considerations. The ship must be built as cheaply as may be; if at all possible, the cost must be lower than that of a similar vessel built in private yards. Thus a strong temptation exists to cut the estimate for labour down to the lowest point. And, as a matter of fact, when task-work and tonnage were first introduced, the estimate of labour-cost was (inadvertently, no doubt) fixed far too low—so low, indeed, that the men in one yard, at any rate, did not even earn the equivalent of their rated time-wage. Probably these men, as soon as they were put on piece-wage, worked twenty per cent. faster than formerly; and, when they found that they did not even make their regular money, great discontent naturally arose. I was told that the estimates for labour-cost are now on a much more liberal scale. Be this as it may, it is obvious that the system here referred to, although it possesses considerable merits, and may, if a liberal basis be adopted, be free from any tendency to promote the under-payment of the workers, yet exhibits this notable defect, that under this method the ratio between work and pay is not established by express agreement between master and man.

A second objection, which might be made to the method of industrial remuneration adopted in this instance, arises from the fact that the rate of piece-wage earned in each case does not depend entirely upon the greater or smaller degree of activity exhibited by the ordinary workman, but is to a large extent dependent upon the greater or smaller degree of intelligence exhibited by the foremen ("charge-men," &c.), who, by making proper arrangements, having the stuff ready when and where it is wanted, and so on, can do a great deal to expedite the progress of the work. Now, in the Dockyards all foremen and other superintendents of labour are remunerated solely by a fixed time-wage, and have no direct pecuniary interest in making the best possible arrangements for expediting progress. How far it would be possible to avoid this defect, it is not easy to say. On the one hand, it is unfair that a group of men, who have been working twenty

per cent. above the normal speed, should find that, owing to the negligence or unskilfulness of the foremen, they only receive six per cent. above their rated time-wage. On the other hand, if the foremen were to be supplied with a direct pecuniary incentive by being included, together with the ordinary workmen, in the group working on task or tonnage, then there would arise the very grave danger that these superintendents might be tempted to hurry on the work regardless of its being scamped, and even to deceive their superiors, where possible, as to the amount of work done.

In the last place, it must be pointed out, from the point of view of the employer, that the method of collective piece-wage cannot be expected to improve output to the same extent when applied to very large groups, as it does when applied to smaller bodies of workmen. The striking economic merit of collective wages is the manner in which this method promotes exertion, every member of the group encouraging every other member to do his best in order that the joint earnings may be as high as possible, and the less zealous finding a constant stimulus in the activity exhibited by their more energetic neighbours. But it is clear that, the larger the group, the less effective is the operation of this stimulus. The men working at one end of a big ship do not see why they should work specially hard for the benefit of the men at the other end, who may, for all they know, be "lazying." The man punching holes in the machine-shop feels no solidarity with the rivetters at the ship a quarter of a mile away. And in these large groups of 200, 300, or even 600 men, each individual thinks, as a rule, that it does not much matter whether he works hard or "mites," since his particular efforts can produce only a quite imperceptible and insignificant effect upon the total result. It is certainly in connection with smaller groups that we find the greatest degree of economic advantage produced by the method of collective piece-work.

CHAPTER IX.

COLLECTIVE PROGRESSIVE WAGES.

UNDER the method of collective progressive wages the joint labour of a group of persons is remunerated in part by a fixed or *minimum* wage, in part by a bonus proportionate to the efficiency of this labour. As an illustration of the application of this method in a manufacturing industry we may take the "preparers" in a woollen yarn factory, whom I found working in sets of four. These women were on a weekly wage of 11*s* 1*d*; the output of each set was measured each week, and, if it were found to exceed a specified standard, the excess entitled the set to a joint premium divided between the members of the set in such proportions as the firm considered just. From the books it appeared that in the preceding week the A set had earned a premium of 6*s*, the E set one of 5*s*, the J set one of 5*s*, while the L set, having produced less than the standard output, earned no premium. The premium had been divided equally between all the four members of the A set and of the E set; but in the case of the J set the 5*s* had been shared in equal halves by the two adult members of the set, the others being young and inefficient hands, and, therefore, held by the firm not to have contributed to the result of the week's working further than to the extent of the standard output.

Many other instances, in which a group of workers divide between them in proportions fixed by their employer an addition to their wages dependent upon the fact of their joint labour exceeding a specified standard of efficiency,

might be cited. Here, for example, is an extract from the rules of a Devonshire paper-mill in relation to the work of twenty-eight operatives: "Tonnage-money will in future be paid on the weight of (good) paper made in excess of 108 tons per month, and if in any month the weight made is under 108 tons, the deficiency will be carried forward against the following month." Again, in a match and taper-making factory, where the women work in sets of three, the plan laid down was that the leading member of each set (the platewoman) should receive "15*s* per week for eleven drums, and 1*s* for every extra one," while the sub-ordinates (drumwomen) would "get 10*s* per week for eleven drums, and 1*s* for every extra one" (*Star*, November 15th, 1890).

The method of collective progressive wages appears to be especially suited to cases in which machinery run by steam or other power is used; for in these cases it is possible for a set of workmen, by proper assiduity, and without in any way overstraining their faculties, considerably to increase the output. As an example of the value in this respect of the method now under consideration, I will give the facts in relation to its operation in the factory (producing oil-cake for cattle) of the Agricultural and Horticultural Association. Each of the two presses is worked by a set composed of a head press-man, an assistant press-man, and two boys, all of whom receive, in the first place, fixed time-wages. In relation to each press (the two having different capacities) a standard weekly output is fixed; after that limit is passed, the men receive a premium of 1*s* 6*d* per ton on the first three tons produced in a week in excess of the standard, and of 2*s* 6*d* per ton for every additional ton produced. This joint premium is divided between the set in proportions established by the employers. Before this system was introduced, the output had been very unsatisfactory, in part because the men employed, having been accustomed to work up a different material—a material which it is impossible to get through the machines at as fast a rate as that used in this factory—altogether failed to make the most of the power of the machinery. In the first month after the premium on pro-

duction was offered, the output of the press (they had only one press at this time) rose from 26 tons per week to 31 tons; after six months the output was 52 tons, after ten months it reached 57 tons, and has ever since been maintained at this figure. The second press, added a year ago, began with an output of 48 tons, but now produces over 76 tons a week. Mr. E. O. Greening, the Managing Director, has stated that "the men and boys have raised their earnings from an average of £1. 0*s* 7*d* per week to an average of £1. 6*s* 8*d*, and for the Association have converted a loss into a profit."* In this case (as in that of the paper-mill above mentioned) the employees, in addition to their premium on production, receive a fixed share in the profits of the concern—a point of importance, because it is upon their having an interest in maintaining the good name of the Association among its customers that, as Mr. Greening states, reliance is placed in order that the tendency to obtain quantitative, at the expense of qualitative production, which is inherent in the system of progressive wages, may be efficiently counteracted. To show the working of this compound scheme of progressive wages *plus* Profit-sharing, I subjoin the average weekly earnings during the twelve months ending July 31st, 1891, of one of the head press-men (overtime excluded).

Fixed weekly wage . .	£1	12	0
Premium on output . .	0	4	7
Bonus (share in profits) . .	0	2	9
Total weekly earnings	1	19	4

Turning from manufacturing to other branches of industry, we find the method of collective progressive wages frequently adopted in our business houses in relation to salesmen, clerks, &c., these employees getting a bonus proportionate to the turnover (that is to say, proportionate to the

* *Co-operative News*, August 22nd, 1891. Taking the two presses together, the ratio of premium on output to fixed wages during the twelve months ending July 31st, 1891, was 11·7 per cent. It is worth noting that this system tends to the elimination of inefficient workers. It is, of course, to the interest of each man in the set to see that all work hard; and an yincapable or idle man is promptly reported and discharged.

sales irrespective of the rate of profit earned by these sales). In some cases this bonus is contingent upon the amount of the sales effected in a certain department, and is divided among those employed in that department; in others, the entire staff of a house forms the group-unit.*

In this connection the peculiar system of collective progressive wages in force, in relation to the office staff of the Agricultural and Horticultural Association, appears to merit description. At the time when this system was adopted, the ratio of the office expenses to the value of the goods sold by the Association was 3 per cent. With a view to keep down these expenses, a promise was made that, in future, in every year in which a profit should be earned, and in which the ratio of the office expenses to the sales should be less than 3 per cent., the clerks should receive a premium at the following rate: if the ratio is $2\frac{3}{4}$ per cent., the clerks receive 5 per cent. on their respective salaries (exclusive of money paid for over-time), if $2\frac{1}{2}$ per cent., a premium of 10 per cent. on their respective salaries, and so on. This system works admirably. The clerks who, it should be observed, do not share in the profits of the business, have, nevertheless, a direct interest in its prosperity, and not only exert themselves to the utmost to reduce the office expenses, but have also spontaneously invented arrangements ingeniously contrived to increase the sales.†

It will be seen that the arrangements just described possess a close resemblance to those referred to in treating of individual progressive wages under the name of Gain-sharing. We may compare with them the features of a system of collective Gain-sharing in force in certain docks owned by the East and West India Dock Company, which was ex-

* One instance of the latter class, which must be referred to by reason of the remarkable character of the bonus, is that of Mr. Thomas Smith, of London, advertising agent, who, since 1880, has divided 5 per cent. upon his turnover with his employees (at present twenty in number). He has supplied the figures for 1887-1890, from which it appears that the ratio, which the bonus received by his employees has borne to their ordinary wages, has, during these four years, averaged 35.6 per cent.; in 1890 the ratio was 51.4 per cent.

† The average addition made by the premium, payable under this scheme, to the ordinary salaries of the clerks during the last five years has been at the rate of 10 per cent.

plained to the Select Committee on the Sweating System in the following terms:—

"A standard cost per ton is taken; we will say that the discharge of a cargo costs 6*d* per ton, and in that 6*d* per ton would be included everything; in it would be included the superintendent's salary, stores, almost everything that would affect the docks. Take the case of discharging at 6*d* per ton, if, owing to economy or harder work, the cost during any given time was 5½*d* per ton, there would be a saving of a halfpenny; this halfpenny would be multiplied by the number of tons discharged during the period under consideration, and 25 per cent. of that result would be given to the staff, therefore the Dock Company would have saved 75 per cent. of a certain amount" (Evidence, Vol. II., p. 324).

In this case a separate system of Gain-sharing was in force in favour of the staff (warehouse-keepers, &c.) of each of three distinct docks, each carrying out certain work independently of any other dock. In another class of cases, in which the different departments of a firm carry out separate parts of the work done by the house, each part being a fraction of a complex succession of processes required to be performed before the finished product is ready for sale, the method of collective progressive wages may be adopted in a special form. Suppose, for instance, that the firm (i) manufactures paper, (ii) prints books, and (iii) publishes those books. Under the method of "Inter-departmental Gain-sharing" the printing department will be debited with the wages of its own staff, with the cost of materials, &c., used by it, and with interest on, and depreciation in respect of the capital sunk in its plant and premises, and will, in its turn, debit the publishing department with the value (*i.e.* the estimated market price) of the printing done by it, the accounts of the other departments being kept upon a similar basis; while of the profit balance shown in the books of each of these inter-linked departments a definite part is assigned to the persons employed in that department by way of bonus on efficiency.*

* Irrespective, of course, of the rate of profit realized by the firm. Thus, in the case above supposed, the employees of the printing department might earn a high bonus in a year in which the firm earned exceptionally low profits. While under the method of Profit-sharing (see *post*, pp. 153-158) the amount of the bonus received by an employee depends upon the rate of profit realized by his employer, in all forms of Gain-sharing the amount of the bonus depends

One matter which should not escape the attention of an employer, who wishes to adopt the method of Inter-departmental Gain-sharing, is the danger which exists of inconvenience caused by rivalry between the various inter-dependent departments of the business. Thus, in a large firm which formerly practised this method, it was found that the printing department, for example, did its best to over-charge the publishing branch for work done for it. However, I am assured by M. Edgard Laroche-Joubert, the head of the celebrated *Papeterie Coöpérative* at Angoulême,* who has great experience in this matter, that it is perfectly possible to avoid all difficulties of this nature by referring the question of the price to be charged by one department to another to the heads of the business for final decision.

In regard to all forms of collective progressive wages one very important point to observe is the proportion in which the joint premium is divided by the employer among the different members of the group by whom it is earned. (A.) The joint premium may be divided equally, or (B.), the premium may be divided between the members of the group in accordance with the importance of the services rendered by each; in some cases the ratio of the respective fixed or *minimum* wages of the members is taken to be the measure of the importance of the work done by each, some claim to an extra share in right of length of service being also recognised; in other cases the employer makes his own estimate of the relative importance of the services rendered by the different members of the group and fixes the share of each in accordance with that estimate. It should be remarked, that the importance of the services rendered by the leading member of a group frequently depends upon the amount of pressure, which he is able to exercise upon his subordinates with a view to securing intensity of exertion and carefulness on their part. Or, lastly (C.), the employer may allow the principal member

exclusively upon the saving effected by efficiency on the part of the employees concerned.

* See Gilman *On Profit-sharing*, p. 106, &c.; and Board of Trade *Report on Profit-sharing*, pp. 8, 9, and Appendix B.

of the group to take the whole of the premium to the exclusion of the subordinates.*

Speaking with special reference to the methods of division B. and C. just described, it is to be noted, that, from the moment that an employer accords to one or more members of a group a much larger share in the premium than is taken by their fellow-workers, at once a special feature is introduced capable of producing peculiar and, in many cases, most objectionable results.

For the head of a group of workers employed under these circumstances, naturally anxious that the premium on output shall be of large dimensions, is under a powerful inducement to secure the utmost possible speed in working; and may be tempted into bullying his subordinates into the exhibition of a quantitative efficiency of labour purchased at the sacrifice of their reasonable comfort and even of their health.

The best illustration, which can be given, of this obnoxious tendency of the method now under discussion is afforded by the system of "piece-work" as it was in force in certain of the metropolitan docks prior to the Dock Strike of 1889. The labourers employed under the piece-work system were paid a fixed wage of 5*d* per hour from 6 A.M. to 6 P.M. with an extra 1*d* per hour for over-time. A rate per ton was decided by the dock officials to be the proper standard labour-cost in each case. This rate, multiplied by the number of tons, which the holds of a vessel were supposed to contain, gave the total estimated labour-cost of discharging her cargo. The actual sum paid away as the fixed time-wages of the men employed in clearing the ship being deducted from the total estimated labour-cost, the difference, if any, was divided between the men as "plus." This system was unpopular for many reasons. The men were ignorant of the basis of the calculation, and alleged that the standard labour-cost was fixed constantly lower and lower; so that "sixpennyworth of work" was a constantly increasing quantity. They had no means of knowing the number of tons comprised in a given job, and alleged that the Company's officials often calculated the labour-cost on a false basis, reckoning the number of tons

* For an example of this form of collective progressive wages see *post*, pp. 98, 99.

as smaller than it was in fact. The dockers always thought they were entitled to a plus; but they often got none, or a far smaller plus than they had calculated upon receiving. But, in addition to these complaints as to the working of the system, there was one feature which belonged to its essence, and which did much to give to it a character of grievous oppression; this was the method adopted in the division of the plus. The leading men (*i.e.* the "ship-workers" and "quay-workers") received a share of the plus, either four or three times (according to the nature of the work) as great as that of the ordinary labourers. These leading men were thus clearly under the strongest inducement to bully their subordinates to an intolerable extent; and the reader will now understand on what grounds the dockers, as those who followed the course of the negotiations between the Dock Companies and the strikers will not fail to have observed, firmly insisted that the division of the plus should, in future, be an equal division between all the members of each gang—a concession, which the companies at last very reluctantly consented to make.

Assuming that in applying the method of industrial remuneration now under consideration due provision be made to guard against dangers and difficulties such as those just indicated, there can be no doubt that the system of collective progressive wages possesses noteworthy economic advantages.* Specially deserving our attentive consideration in all types of collective Gain-sharing are two main features characteristic of this method. In the first place, we shall remark that, while the fixed wage assures to the employee a certain *minimum* remuneration, the added premium affords

* One not uninteresting example of collective Gain-sharing is afforded by a system until recently in force in relation to a large omnibus company in London. The drivers and conductors were employed at a fixed daily wage supplemented by a premium of the following nature:—Each conductor paid in at the end of the day a sum practically of uniform amount, whether the fares collected by him amounted to more or less than this sum. If the fares amounted to less, the conductor made up the deficiency out of his own pocket, if to more, then the driver and the conductor divided the excess between them. This rough-and-ready form of progressive wages induced the conductors and drivers to display great zeal in securing passengers, and was for a long time acquiesced in by their employers.

a powerful incentive to the display of intelligence and activity. At the same time, we shall observe that under this method the collective character of the premium secures the presence of that mutual supervision of each other by the members of the group which, as already pointed out, makes so strongly for efficiency, every man becoming, in effect, a foreman superintending the work of his neighbours. Nor should it be forgotten that the collective method possesses this additional advantage, that under it a far smaller amount of calculation and book-keeping is required than in the case of individual progressive wages. For this reason Mr. Halsey, in advocating his system of Gain-sharing described in Chapter VI. (pp. 56-58), draws a distinction between work which is produced in such quantity as to make it possible, by reference to easily accessible information to reckon exactly how long a man working at average speed will take to complete each separate part and work produced in smaller quantities, and in relation to which, therefore, this *datum* could not be arrived at except by means of special, elaborate, and troublesome calculations. In cases of the former class Mr. Halsey recommends the system of individual progressive wages described above; but

"On work which, while produced as a regular product, is still not produced in sufficient quantity to justify recording the cost of each part, the premium offer is made to the group of men who carry out the work. The proposition is made as a posted notice or otherwise in the following form:—

"'According to previous experience, this work should require.....hours. If completed in less time than that a premium of.....cents per hour saved will be divided among those working on the machine, division to be in proportion to time spent on the work.'"*

The reader will observe that the notice just set forth refers to "previous experience"; in regard to work of a new type "the premium is based on the estimated time required for the execution of the work."

The system of collective progressive wages advocated by this American engineer is in its main elements, similar to one which has recently been brought forward in connection with a large English firm of shipbuilders and manufacturing engineers, the Thames Ironworks. The leading features of

* (American) *Railway Review*, July 11th, 1891, p. 450.

this "Good Fellowship Scheme," as it is called by Mr. A. F. Hills, the Managing Director, are as follows: all employees in the Company's service, including, not alone rivetters, drillers, and other mechanics, labourers, and boys, but also draughtsmen and clerks, and all leading hands and foremen, are to receive in the first place, a fixed time-wage, and in addition, a premium, the amount of which is to be ascertained at the end of every month by deducting the actual labour-cost of the work done from the "labour-value" of the work, such value being determined by the estimate in the firm's tender for the contract in relation to which the work is done.* In all cases, without exception, the basis adopted in the division of the joint premium earned by a number of employees will be the ratio of the fixed time-wages of each individual. Where it is possible to make a separate estimate of a special piece of work and to entrust its execution to a particular group of men (*e.g.* rivetters, drillers, caulkers, &c.), there "Fellowship-Piece-work" will be arranged; that is to say, the men comprised in each group will share between them, in the ratio of the fixed time-wages of each, the balance which remains after deducting the sum of the time-wages of all from the "labour-value" of the piece of work in question. Where, however, it is not practicable to split up the work into sections to be executed by separate groups of men, there the method adopted will be departmental Gain-sharing, the group-unit being the entire staff of a department.

The operation of the method of collective Gain-sharing has been explained with great fulness and lucidity by Mr. Henry R. Towne, in a paper describing the system in force since 1887 in the works of the Yale and Towne Manufacturing Company, of Stamford, Connecticut, makers of the world-renowned Yale locks and of cranes, &c., from which the following details are taken :— †

* In the case of work coming from the shops, *e.g.* the foundry, the labour-value is to be fixed by weight or measurement, in accordance with the detail drawings. In the case of forgings, smithings, &c., the labour-value is to be fixed in accordance with forge drawings to be furnished with every job; all calculations as to premium are to be made from net-weights, in accordance with the dimensions thereon shown.

† This paper, read at the Erie Meeting of the American Society of Mechanical

The key-note of the system consists in its "allotting to each member of the organization an interest in that portion of the profit fund which is, or may be effected by his individual efforts or skill, and in protecting this interest against diminution resulting from the errors of others, or from extraneous causes not under his control." The employer, who desires to introduce the system, may be taken to make to his operatives a proposition to the following general effect:—

"I have already ascertained the cost of our product in labour, supplies, economy of material, and such other items as you can influence. I will undertake to organize and pay for a system whereby the cost of product in these same items will be periodically ascertained, and will agree to divide among you a certain portion (retaining myself the remainder) of any gain, or reduction of cost, which you may effect by reason of increased efficiency of labour or increased economy in the use of material, or both; this arrangement not to disturb your rates of wages,* which are to continue, as at present, those generally paid for similar services."

"The basis or starting-point of the system is an accurate knowledge of the present cost of product (or, in the case of a mercantile business, the cost of operating it), stating in terms which include the desired factors, that is, those which can be influenced or controlled by the employees who are to participate in the result, and which exclude all other factors. In some cases the previous method of accounting or book-keeping may have been such as to supply this information, in which case the gain-sharing system can be easily and promptly organized. In others the existing books may contain the record from which the desired information can be digested and compiled. Where no such record exists, however, the only safe method consists in devising and putting into action a system of accounts which will furnish the desired *data*, and in awaiting the accumulation thereby of information, which, being based upon the operations of a reasonably long period, usually from six to twelve months, will constitute a fair mean or average.

"The factors which should be included in, and those which should be excluded from, the account, will vary with circumstances, each particular case having to be considered by itself. As a general rule, it may be stated that, in the case of an account affecting the operatives in a producing or manufacturing business, the following items should be *included*, viz. labour at cost, raw material, measured by quantity only (for which purpose an arbitrary fixed price may be assumed); incidental supplies, such as oil, waste, tools, and implements, at cost; cost of power, light, and water, where means exist for correctly measuring them, for which purpose it often pays to provide local meters; cost of renewals and repairs of plant; and, finally, the cost of superintendence, clerk hire, &c., incident to the department covered by the system. In like manner the following

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Engineers, is printed at length in the *Sixth Annual Report of the Connecticut Bureau of Labour Statistics* (for 1890) at pp. 227-241.

* In some cases time-wages, in others piece-wages; see *post*, p. 81, and Appendix A.

items should be *excluded*, viz. market values of raw material (which are liable to fluctuation); general expenses, whether relating to management of works or to commercial administration, and, in general, all items over which the operatives can exercise no control or economy. Finally, the credit side of the account should be determined by the amount or value of product measured by a scale of values fixed in advance, and based upon facts previously ascertained."

The amount of the credit balance thus represents the "gain," *i.e.* the saving in production, effected by the excess of the efficiency manifested by the employees over a certain standard which forms the basis of the system. In this connection it is worthy of remark, that the standard actually adopted as the basis of the majority of the Yale gain-sharing contracts was, not that previously exhibited by the workmen, but a higher standard.

"The 'contract prices' adopted for these gain-sharing accounts were in some cases the actual previous costs, but in a majority of cases the contract prices were fixed at rates which were a reduction of from 10 to 20 per cent., and in one case of 30 per cent. from previous costs. These reductions were made advisedly, and only in cases where there was good reason to believe that increased effort would result in very considerable reductions of costs. In most cases the results have justified the reductions, and even on the basis of the new prices the contracts have yielded fair profits or dividends."

The division of the credit balance representing the gain in production is in the Yale works fixed upon the basis of allotting one half to the employer, the other to the employees comprised in the group concerned. For the gain-sharing contracts are here made separately with separate groups or departments, there being in force at the date of Mr. Towne's paper twenty-one distinct contracts.* Out of the credit balance (termed by Mr. Towne "the profit-fund") a specified fraction is reserved for the principal member of the group—the foreman, overseer, leading man or other person directing and supervising the labour of the ordinary operatives. As Mr. Towne points out, it is better to arrange that the foreman shall have, say, ten per cent. of the "profit-fund," rather than to give him a share *pro ratâ* with the ordinary operatives. For, in the latter case (*e.g.* if the foreman takes, say, three times as much as one of his subordinates), if the size of the group is increased

* No doubt there are more now. The number of the operatives employed under gain-sharing contracts was 300 in 1887, but is now 500, or one half of the whole force, and appears to be constantly increasing. See *Sixth Report of the Connecticut Bureau of Labour Statistics*, p. 224.

(by putting on additional men), then the earnings of the foreman (although his responsibility is now augmented), instead of increasing, are made to decrease—a result obviously unintended by the employer, and unfair to this employee. Mr. Towne says: "Assuming fifty to be the average number of employees under one foreman, I regard ten to fifteen per cent. of the profit fund as about the proper allotment to the foreman, leaving forty to thirty-five per cent. for his subordinates, where fifty per cent. is retained by the employer."*

In dividing among the ordinary employees the amount allotted as their premium, the plan adopted by Mr. Towne is to distribute the total sum "on the basis of the actual wages earned by each during the year, including in the account every one employed during that time, even if for one day only."

"It has been found feasible and very beneficial to have posted in each room or department, where the gain-sharing system is in force, a suitable blank, preferably under glass, on which can be entered each month the net results of the system during the preceding month, and including a statement of the *rate* of dividend earned since the beginning of the contract year. The stimulus thus given to the interests of the employees is very marked."

One important point in regard to any system of Gain-sharing is the period of time over which the contracts are to extend. Mr. Towne says:

"When the cost of product is already accurately known, a gain-sharing contract may safely be made for a considerable length of time; whereas, when the cost is not well known, it is better to fix its terms for a shorter period in order that they may be revised when the necessary information has been obtained. The best results will be obtained, however, when the contract is definitely fixed for a reasonably long period, say from three to five years, or even longer."

Mr. Towne acutely points out that, if the duration of a gain-sharing contract is made short, the employees are not likely to exhibit so great a speed in working, as if it be made long. The reason is that an employee, who knows that the standard

* Mr. Towne remarks that "the simplest application of the gain-sharing system is to cases where work has already been done on contract." (The nature of the contract system is explained in the succeeding chapter, X.) When the transition is made from contract work to Gain-sharing, the contractor takes a fixed time-wage supplemented by the gain-sharing premium, care being taken that a considerable fraction of his total remuneration shall be contingent upon the results of his work. On what basis the time-wage of the *ci-devant* contractor is to be fixed, Mr. Towne explains in detail (at p. 233).

of remuneration is liable to revision at the end of, say, a year, will be afraid to show how fast he is capable of working, lest the employer should, on entering into a new contract, take as the basis of this contract a higher rate of speed, and a correspondingly lower labour-cost than were taken as the standard when he fixed the terms of the original one-year contract. The workman, in fact, will be deterred from "doing his level best" by the fear that the employer will "nibble" his remuneration—a fear which certain remarks made by Mr. Towne show to be by no means devoid of foundation.*

The general results of the system of collective Gain-sharing just described appear to have been found satisfactory; and Mr. Towne states that under it "the average workman can so increase his efficiency as to secure for himself a gain of 5 per cent. or more in his annual earnings, while at the same time the employer will gain a handsome reduction in the cost of the product."†

TABLE I.

Contract Number.	Term.	Helpers' Earnings.	Gain or Loss.	Helpers' Share.	Rate of Dividend.
	Years	Dols.	Dols.	Dols.	Per Cent.
1	5	13,080.43	3,388.53	850.18	.065
2	5	9,216.87	‡37.59	...	...
3	5	3,666.34	840.05	208.98	.057
4	3	4,936.54	573.58	148.09	.03
5	5	910.22	‡48.52	...	...
7	3	3,861.28	537.72	134.43	.035
8	3	1,012.92	447.59	111.42	.11
9	3	419.55	109.04	27.27	.065
10	5	17,696.47	1,256.37	318.53	.018
15	5	728.53	358.20	89.62	.123

SECOND YEAR.

Contract Number.	Term.	Helpers' Earnings.	Gain or Loss.	Helpers' Share.	Rate of Dividend.
	Years	Dols.	Dols.	Dols.	Per Cent.
1	...	14,096.05	3,251.04	817.56	.058
3	...	3,732.21	1,027.20	261.15	.07

* "If during the previous term the cost of product has been considerably reduced, he [the employer] will presumably, although this is not always the wisest course, proportionately reduce the contract prices" (p. 235). As to "nibbling" generally, see *ante*, p. 31; and as to the effect of the fear of nibbling upon output, p. 38.

† Gilman, *Profit-sharing*, p. 326.

‡ Losses.

The first of the accompanying tables (copied from the sixth *Report* of the Connecticut Labour Bureau) shows the figures in relation to "a number of these contracts to which I have applied the gain-sharing system, two of these covering a period of two years each. All of the others are now running on the second year, but only the results of the first year are here stated."

The second table "is a transcript of one of the monthly exhibits mentioned above as being posted in the room or shop where the system is in force." It will be observed that in this case the share in the "profit-fund" allotted to the men concerned (the ordinary workmen) is 25 per cent.

TABLE II.

MONTHLY ACCOUNTS RELATING TO CONTRACT NO. 3—1887.

Months.	Total Profit for Month.	Profits from beginning of Year.			Monthly Charges for Tools.	Monthly Charges for Supplies.
		Total Amount.	25% belonging to Helpers.	Per-centage on Wages.		
	Dols.	Dols.	Dols.		Dols.	Dols.
January	*45.52	...	...	...	55.84	3.95
February ...	85.72	40.20	10.05	.017	46.85	2.97
March.....	115.53	155.73	38.93	.039	78.13	7.62
April	98.48	254.21	63.55	.046	35.57	5.98
May	*51.46	202.75	50.69	.0307	37.16	1.75
June	182.90	385.65	96.41	.0505	26.66	2.04
July	99.12	394.77	98.69	.046	17.25	2.74
August	76.12	470.89	117.72	.049	27.10	2.02
September ...	8.64	479.53	119.88	.044	44.20	3.14
October	114.76	594.29	148.57	.0499	56.96	6.27
November ...	*94.72	499.57	124.89	.0378	58.30	.75
December ...	340.48	840.05	210.01	.057	27.30	4.56
Totals for year.....	840.05	840.05	210.00	.057	511.32	43.79

The reader desirous to obtain further details in reference to the system in force in the Yale Works will find in Appendix A, *post*, the rules relating to the Company's foundry, together with some important explanatory observations by Mr. Towne.

In comparing the three schemes just described we must remark that in two of them (Mr. Halsey's and the Thames

* Losses.

Ironworks') the fixed *minimum* wage is a time-wage, while under Mr. Towne's plan the *minimum* wage is in some cases a time-wage and in others a piece-wage, the latter form of remuneration being apparently adopted, wherever possible, in preference to the former.*

The Thames Ironworks' scheme will be observed to differ both from that advocated by Mr. Halsey and from that in force in the Yale and Towne works in allotting to the employees the whole (instead of a part only) of the "gain" realised by activity in excess of the standard.

It is worthy of remark that both in the Yale scheme and in the Thames Ironworks' scheme the foremen as well as the ordinary workmen are included. This is a point deserving consideration. As has already been observed (*ante*, p. 65), it may be open to question, whether the practice of giving to the superintendent of labour a premium upon the rate of speed maintained in working does not involve a grave danger to the interests of the employer by reason of the temptation to pass bad work, and even to over-state the amount of work done, to which the gain-sharing foreman is necessarily exposed. With the object of averting any danger of this nature it might well be a reasonable precaution, if, in framing any scheme of Gain-sharing embracing the foremen in its operation, it were arranged to put over these foremen superior officials in receipt of adequate fixed salaries, which (if it were desired to give to these inspectors a pecuniary interest in the qualitative efficiency of the work done under their supervision) might be supplemented by a bonus, not proportionate to the rate of output maintained in the workshops, but contingent upon the rate of profit realized by the business.†

* See Appendix A, *post*.

† In regard to the Yale and Towne system it is observed in the *Sixth Annual Report of the Connecticut Bureau of Labour Statistics*, 1890 (p. 226), that "protection from poor work is obtained by a careful inspection." By whom this inspection is carried out, is not stated. But it seems probable that the persons entrusted with this duty are not included in the general scheme of collective Gain-sharing.

CHAPTER X.

CONTRACT WORK.

In the case of collective progressive wages, as we have seen, the lump sum paid as the remuneration of the joint labour of a group is divided in such a manner, that, while all its members, whether principal or subordinate, receive, in the first place a fixed or *minimum* wage, all, or some of them receive, in addition, a premium calculated in proportion to the efficiency, with which that labour has been performed. Contract work, with which we deal in this chapter, is work performed under an arrangement, by which, while the subordinate workers receive a fixed time-wage, the principal member or members of the group, have no right to any fixed or *minimum* wages, but draw the whole of their remuneration from the balance which remains after deducting from the lump sum paid for the execution of the work the total amount of the aggregate fixed wages of the subordinates. Thus, the remuneration of the leading member of a contract group is a piece-wage, the amount of which varies inversely with the amount of the fixed wages paid to the subordinate members, and directly with the rate of speed in working maintained by the group.

In all the cases of contract work, with which I am acquainted, the contractual remuneration of the subordinate workers consists exclusively in a fixed rate of time-wage, while the entire balance of the lump sum paid for the work (after deduction of these wages) is paid over to the principal member or members of the group. At the same time, although it is not, so far as I know, the practice to give

to the subordinates a specific contractual right to receive, by way of premium on efficiency, any definite share in this surplus or balance, yet in many cases an understanding exists between the leading man and his mates that he shall distribute some part of this amount among the men under him.

However, before discussing in detail the various forms of contract work it will be useful to exemplify the general features of this method. We will seek our example in the engineering trade, in which a very large part of the work in many branches is commonly conducted upon this plan. A piece of work is given to a highly skilled mechanic to be done by him with the assistance of subordinates—mechanics of inferior skill or unskilled labourers. The fixed time-wages of the subordinate workers are, in the first instance, drawn by them, as the work proceeds. The leading mechanic generally also draws in like manner sums equivalent to what would be his time-wages, if he were working on time-wage. But the sums drawn by the principal man are only in the nature of advances on account of his ultimate earnings, that is to say, of the balance of the lump sum payable in respect of the job remaining after deducting the aggregate time-wages of his subordinates; and, if the work should be done slowly, he may find that, instead of having earned his rated time-wage and also a "surplus," he has "lost on the job," *i.e.* that his remuneration is less than it would have been, if he had been working during the same number of hours on time-wage.

Here are two extracts taken at random from the books of a firm of manufacturing engineers, showing the actual working of the contract system:

Plating up twelve buckets at 9*s* each, £5. 8*s*.

Time-wages of two labourers .	£2	4	0
Plater's rated time-wages . .	2	8	2
Total .	4	12	2

Surplus (payable to the plater as leading man), 15*s* 10*d*.

Rivetting up twelve buckets at 4*s* 8*d* each, £2. 14*s*.			
Time-wages of two subordinates (only partially employed)	£0	16	10
Rivetter's rated time-wages . . .	0	15	7
Total .	1	12	5

Surplus (payable to the rivetter as leading man), £1. 1*s* 7*d*.

Such being the method of contract work, it remains to state, that this method is applied in three distinct forms. In the first of these forms the whole of the surplus remaining after the subordinates have received their time-wages, and the leading man has drawn the equivalent of his rated time-wage, is paid to and retained by this leading man. The head of an engineering firm, which adopts the contract system in this form, declared, that equity demanded the exclusion of the unskilled workers from all participation in this surplus; on the ground, that the skill and industry of the leading man alone were the cause of this money being earned, the "coarse labour" of these subordinates in no way contributing to produce this result. In the second form of the contract system the leading man is expected to give a fair share of the surplus to the labourers or other subordinates; this sum being frequently divided by him between the group in the ratio of the rated wages of each member. Although in these cases the subordinates do not appear to possess any contractual right to receive any part of this surplus, either as money due from the firm, or as money due from the leading man, there is no doubt that any gross unfairness in the division of the spoils would be the subject of complaint on the part of the men thus treated and of remonstrance on the part of the foreman of the department, whose admonitions the leading workman cannot afford to disregard.* The third shape, which contract work may assume, is seen in those numerous instances, in which the leading man is, indeed, allowed to retain the whole of the

* In some cases a fair division is secured by the influence of the Trade Union; see the evidence of Mr. J. Burnett before the Sweating System Committee (Vol. II., pp. 529, 530).

surplus, but that surplus is arrived at after deduction of the time-wages of the subordinates calculated at a higher rate of pay than their ordinary rating. For example, I know some very large engineering works, in which the contractors' subordinates are always paid "time and a quarter" or "time and a half," according to whether the contract work is at the one or the other of these rates; and in certain bicycle-making workshops I found that, from the moment a workman was taken off ordinary (single-handed) day-work and placed under a man employed on contract work, this operative was paid 1*d* per hour more than his ordinary rating.

The reasons, which can be adduced in favour of giving to the subordinate members of a group working on the contract system a higher remuneration than that which they receive, when working by themselves, are not far to seek. The leading man, who is practically a foreman in relation to his subordinates, naturally desires that the job may be executed with the utmost possible dispatch. He is given the chance of "making time and a quarter" by getting the work done with a speed 25 per cent. higher than the normal rate; and, in order to secure a big surplus, he is bound to exact the performance on the part of his subordinates of as large an amount of labour per hour as incessant supervision, coupled with the requisite *modicum* of strong language, can secure. There seems to be no doubt that men, whether labourers or mechanics, working on a contract job work far harder than when employed on ordinary time-wage. Thus, in the engineering firm, from whose books the figures given above are taken, it was found that the total amount paid in a recent year for work performed by groups under the method of contract work was £1,225. 4*s* 10*d*, while, if the men engaged had received, in respect of the number of hours which the performance of this work occupied, their ordinary time-wage, the total amount of their remuneration would have been no more than £1,014. 5*s* 7*d*. Here it is clear that the rate of speed maintained under contract work was much more than 20 per cent. greater than that, which would have been exhibited, if the men had not been engaged under this method. How much of this extra percentage of production

was attributable to the leading men, and how much to the subordinates, it would not be easy to say; the proportion would certainly vary according to the nature of the work in each case. But, speaking generally, the writer submits that, since the subordinate members of a group engaged on contract work invariably exhibit a greater degree of assiduity than they would display if working under other circumstances, these mechanics and labourers—even labourers of the most unskilled type—may fairly claim to be entitled to receive higher pay in proportion to their harder work, either by participating in the surplus, or else by receiving, by way of reward for extra efficiency, a higher rate of wages than when employed on "single-handed" time-wage work.

When we enquire what is the view taken by the working-classes in regard to the method of contract work, we find that in certain cases very little exception appears to be taken to the adoption of this method. In particular, where operatives on piece-work are assisted by learners, this method is practised with, as a rule, little complaint on the part of the workers. Nor, in regard to groups, in which the subordinate members are all adults, is the contract system invariably disliked. In many branches of industry the operatives are accustomed to work under this method; and do not appear to regard its operation with dissatisfaction. But the strenuous character of the supervision exercised by the leading member of a contract group under a system, which makes the amount of his earnings depend entirely upon the rate of speed maintained, causes many classes of working-men to regard the method of contract work with marked disfavour—a feeling, the grounds of which will be discussed in later chapters.

CHAPTER XI.

CO-OPERATIVE WORK.

Under all the methods of collective remuneration hitherto examined the relations between the different members of each group, as well as their respective remuneration, are determined by the employer alone. On the other hand, the distinctive features of Co-operative Work (whether the remuneration of that work be task-wage, or some form of progressive wages, or piece-wage) are that (1) the members of the co-operative group are associated by their own free choice, determining for themselves of how many persons and of what persons that group shall consist, (2) the associated workers select from amongst themselves their own leader, and (3) arrange the division between all the members of the group (including this leader) of the collective wages in such manner as may be mutually agreed upon as being equitable between all the associated workers.

Our examination of the methods of collective remuneration already reviewed will have convinced us of the signal economic advantages possessed by all systems of the collective type which promote the mutual supervision of the workers by each other, every member of the group having a direct interest, not only in doing his own share of the work well, but also in encouraging the zeal and carefulness of all his companions. At the same time, we have noted that in some forms of collective work a certain danger of grave industrial evils exists. Leaving the detailed discussion of these evils to later pages, we may, in the meantime, say that, speaking generally, in all cases, in which the remuneration of the principal member

of a group of workers is largely dependent upon the rate of speed in working maintained by the subordinate operatives, especially if this leading member is allowed to employ on a given job as few or as many men as he chooses, and if the selection and the discharge of the workmen rests mainly in his hands, there is a strong probability of this man's becoming a bully and a sweater. Now, the great value of the method of co-operative, as distinguished from collective, work is that, while the mutual surveillance which we find promoted by the latter is in an equal degree promoted by the former, this co-operative system is entirely free from the tendency to promote the ill-treatment of the subordinate workers so frequently found in cases in which work is done under a system of collective wages.

It may appear to some that an organization of industry so democratic in character as that, which is involved in the system of Co-operative Work, presents practical difficulties of too grave a nature to permit of its general adoption. In this chapter, however, the reader will find numerous instances, in which the leading features of the method of Co-operative Work are present.

In agricultural operations it is common for self-constituted co-operative gangs to undertake work, such as hoeing, or as hay-making, and other harvest work, taking the contract at a piece-wage price which the members divide among themselves.* In relation to the making of canals, roads, railways, and other similar works the method of co-operative work has long been applied; and has been found to increase the earnings of the men, while reducing the cost of labour. Thus, in *Work and Wages* (pp. 265, 266) Lord Brassey tells us that "in the canal-making days, men working in butty-gangs†

* In order to avoid disputes as to the share in the joint remuneration to which each is entitled it is best that the members of a co-operative gang be persons of very similar working capacity, who share equally. On small farms, where the facility for forming a group of such equally efficient labourers does not exist, it will be found that individual, and not co-operative, piece-work is the rule.

† "This word 'butty-gang' requires some explanation. It means that certain work is let to a gang of about ten or thirteen men, as the case may be, and that the proceeds of the work are equally divided amongst them, something extra being allowed to the head man. This system was originated when the formation

would earn 4*s*, while others working on the day-work system would not earn more than from 2*s* to 3*s* a day"; and that in making the railway between Leicester and Hitchin "at the commencement of the works, instead of paying the workmen at so much per cubic yard, the piece-work system was abandoned, and the men received the average amount of the agricultural wages of the country, namely 2*s* 3*d* a day. On my father's attention being directed to this subject, the system was changed, and [co-operative] piece-work introduced. It was found that when the men were paid by the day, the excavation in the cuttings had cost 1*s* 6*d* a yard. When the system was changed, day-work abandoned, and piece-work adopted, the cost of the work was reduced to 7*d* a yard."

The co-operative system ("tut-work") in force in the Cornish mines "from the middle of the last century, if not from a yet earlier date, down to the present day"* is of the following nature:—The work to be done during a fixed period (work which consists in sinking shafts, driving levels, and making excavations) is marked out, and examined by the workmen during some days, thus affording them an opportunity of judging as to its difficulty. Then it is put up to auction and bid for by different gangs of men, who undertake the work as co-operative piece-work, at so much per fathom; finally each lot of work is offered to the gang which bids the lowest price, usually at a reduction on this price, this offer being rarely declined.

of canals first began in England. 'Butty-gangs' were afterwards employed on the Paris fortifications which were constructed by French workmen."—*Life and Labours of Mr. Brassey*, by Sir Arthur Helps, p. 51.

* Mr. L. L. Price, "*West Barbary*" (p. 13), a recent work giving full details in regard to the system of work and wages in the Cornish mines. This Cornish co-operative system "has been introduced—with some differences—into other districts, and has there met with equal success, and shown promise of equal longevity," for instance, in "Flintshire, Cardigan, Cumberland, Yorkshire, and Ireland" (*ib.* p. 24).

† The minerals are worked and dressed by men employed upon a system possessing the same feature of co-operative organization as above described; but in their case the method of remuneration is "product-sharing," a method the application of which in this and other instances is commented upon *post*, Chapter XIX.

An instance of the application of a similar method of industrial remuneration in extensive coal mines in Belgium is given in the Report on the Social Economy section of the Paris Exhibition of 1889, prepared for the Canadian Government by M. Jules Helbronner (pp. 28, 29). In these mines, we are told that "the greater part of the yearly work, such as the driving of machines, the repair and the care of the material, are all contracted for, the contracts not extending over a year. They are signed by the coal companies and the bands of workmen who accept them. The amount for which they are accepted is frequently based on the quantity of coal extracted. All the risks of the work, which very often varies in quantity, are accepted by the workmen. Past experience shows that, though the coal company may at times advance money, and, at others, the workmen may advance work, in the end the compensation is about equalized. Besides, the profits made by the [co-operative] contractors show that the confidence in the results was not misplaced. They have, in fact, signed new contracts under conditions entailing reductions of 20, 30, and even 40 per cent. in favour of the companies. If, therefore, their wages have not diminished, it must be because they have worked harder, or they have improved their method of working, making it more intelligent, and have thus seconded the efforts made by their superiors in providing improved implements." The average net results of the adoption of the method of co-operative work are, in this case, "an increase of wages of 20 per cent., with a proportionate decrease in the price of returns." (I imagine that "cost of production" is meant by these last words.)

In relation to the copper mines worked by an English Company (the Rio Tinto) in Spain, the following account is given in the *Pall Mall Gazette*, of April 11th, 1890: "The work is divided into contracts, which the men themselves undertake in gangs of two, four, six, or twelve, the proceeds being equally divided according to the number of days worked. The men invariably choose their own companions, with the result that the most industrious, steady and intelligent class of labourers is drawn to the mines, and those

of indolent habits are generally kept out. At any period during the contract or month each man can draw up to eighty per cent. of his earnings."

In the printing trade a true system of co-operative piece-work has long been known under the name of "working in pocket." In these cases the group ("companionship"), working together under a leading man elected by themselves, collectively undertake the performance of a specified amount of work in return for a lump sum, which is divided among all the members (including the leader) in proportions determined by the associated workers. "Working in pocket" is much less common now than formerly in this country; but is common in France, where it is aptly designated "limited partnership" (*commandite*).

Even in ordinary piece-work companionships, although the selection of the compositors who shall form one of these groups rests, as a rule, not with the men themselves, but with their employers, yet in the organization of their labour the co-operative method plays a considerable part. For in very many cases (*e.g.* in all houses adopting the regulations of the London Society of Compositors) each group enjoys the right of appointing its own foreman, subject to the veto on reasonable grounds of the employers. The "clicker" thus appointed is the recognised intermediary between the master printer and the companionship; his actions are under the control of his companions, by whom he is remunerated on such terms as may be mutually agreed upon.

Sufficient will have been said to prove that the government of the workers by the workers is no idle vision of a social reformer, but a plain practical plan, working with excellent results in many diverse kinds of industry. But space must be found to narrate the circumstances attending the introduction of methods possessing, to a considerable extent, the co-operative character in relation to a class of labour hitherto considered of all the least amenable to discipline—dock labour.

The introduction of a method of working based upon co-operative lines in regard to the metropolitan docks generally dates subsequent to the great dock strike of 1889. But in

one set of docks—the Surrey Commercial—a truly co-operative method had, for many years prior to this strike, been adopted in the work of handling grain. The corn porters employed in these docks have been accustomed to work in gangs of eight men each, the leading man taking the same share in the collective remuneration as the other members of the group. All the members of these groups are members of a Trade Union, all belonging to the same Society; and there can be no doubt that this fact has tended to produce that absence of friction between the leaders and their subordinates which has always characterized the working of this co-operative system at the Surrey Docks—docks in relation to which little or no complaint, whether of bullying or underpayment, has ever been made.*

Coming now to the period subsequent to the dock strike, we find that at a meeting, which took place on August 18th, 1890, between Mr. Hubbard, on behalf of the Dock Directors, and Mr. Tom Mann, President of the Dockers' Union, on behalf of the Dock Labourers, Mr. Hubbard submitted a printed "Outline of the Proposed Scheme for Piecework," of which the following are the principal clauses:—

"The work shall be offered direct to the men at a certain agreed price, and the men shall constitute themselves into a company or gang, to undertake the work on co-operative principles, allotting to each member of the gang his proper share of the work and his remuneration, and contracting to perform the work under the direction, and to the satisfaction, of the Company's officials.

"On behalf of the men, one of their number shall be appointed, with the concurrence of the Company, to be the leader of the gang, and to act in all respects as their authorized and responsible representative. He shall be styled the 'Leading Pieceworker.'

"An agreement shall be drawn up and signed before the commencement of each job by the Head of the Department as representing the Company, and the Leading Pieceworker as representing the men.

"The Head of the Department shall have the power to veto the employment

* In regard to the treatment of the dock labourers in the Millwall Docks, in some departments of which a method, more or less closely resembling that in force in the Surrey Docks in regard to the corn porters, was adopted, grave dissatisfaction existed prior to the dock strike. But, it is to be remarked that, this dissatisfaction related exclusively to the position of the men employed under a certain class of small labour-masters, of whom more will be said in a later chapter (on "Sub-Contract"), and can be shown to have been in no way caused by, or connected with, this co-operative method.

of any individual who has been guilty of gross mismanagement; otherwise no restriction is placed on the constitution of each gang by those associated in the work.

"The accounts shall be exhibited in the pay-box as soon as made up after the termination of each job, and shall be open to the inspection of the men associated in the work at any other reasonable time."

The scheme here set forth is interesting as a proposal of a truly co-operative nature made by employers of labour with a view to promote harmony in their relations with their workers. In these proposed arrangements all the elements of the co-operative method of industry are present. For the workers are a group* (1) voluntarily associated; (2) choosing from their own number their own leader, and working in voluntary submission to the orders of this elected manager; and (3) dividing among themselves in equitable proportions voluntarily established by themselves the money paid in remuneration of the labour collectively performed by the group.

It is, however, necessary to observe that these proposals have not been carried out in their entirety. It seems probable that the definite settlement of the method of organization in regard to this dock labour will not be arrived at until many experiments in different forms have been tried. The arrangements actually adopted in relation to the discharge of numerous vessels between the beginning of November, 1890, and the present time are as follows:—

First, we have the work done for the Dock Companies (who are gradually surrendering the discharge of cargoes into the hands of shipowners, not caring to retain this business); secondly, we have the work done for shipowners discharging their own vessels.

Where work is done for the Dock Company, and in most of the cases in which it is done for shipowners, the constitution of each group is determined, not (as originally proposed) by the men themselves, but by the foreman of the Dock Company, who calls in such men as he thinks proper. In some instances (at present not numerous, but said to be increasing) the place of this foreman is taken by a labour-master employed by the shipowner.

The proposal that the elected Leading Pieceworker should

* The size of the groups varies from 50 down to 10 men.

"allot to each member of the gang his proper share of the work" is not carried out in its integrity; for in distributing the work the men's representative acts jointly with the Company's foreman or the shipowner's labour-master, the latter, however, being said to interfere but little.

As to the remuneration of the members of these groups, it is to be observed that, while the original proposals contemplated a pure system of payment by results, that which is actually adopted is in the nature, not of simple piece-wage but of time-wage piece-work. Under this form of the method of progressive wages a fixed *minimum* time-wage (in this instance known as "subsistence money," and paid generally at the rate of sixpence an hour) is given to the workers as the job proceeds. Upon its completion, the sum of the fixed wages of all the men employed being deducted from the total amount for which they have contracted to perform the job, a balance, called "plus," is left, which is divided between them, all (save the Leading Pieceworker in certain cases) sharing alike, in the ratio of the number of hours worked by each.* With regard to the Leading Pieceworker, three different plans are in force. In some cases (1) this Leader gets one shilling an hour, but takes no share in the "plus"; in some (2) he gets eightpence an hour, taking an equal share with his subordinates in the "plus"; in a few cases (3) the Leading Worker receives no fixed time-wage, but his entire remuneration consists in a piece-wage rate of so much a ton. Under this last plan (which is being discouraged by the men) the Leading Pieceworker is said to earn quite fifty per cent. more than his subordinates.

With respect to the earnings of the dockers under the systems above described, the results have been entirely satisfactory. The usual time-wage of dock labourers in the Port of London is sixpence an hour, and the piece-work rates have been based upon this scale. But the remuneration actually earned and received by the dockers (excluding the Leading Men) under the new arrangements has averaged the

* I am informed that the Leading Pieceworker receives and distributes the "plus" in those instances in which the work is done for shipowners direct; in other cases the distribution is made by the cashier of the dock company.

high rate of about ninepence an hour;* while it is stated, on the authority of Mr. Baily, the Secretary of the London and India Joint-Docks Committee, "that the results of the work done have been entirely satisfactory to the Dock Companies, both with regard to the actual cost of the work and the way in which it has been performed" (*Daily Chronicle*, January 26th, 1891). In some instances the results obtained under the new system appear to have been most remarkable; thus, "The Exchange Telegraph Company states that the contract [*i.e.* co-operative] work last week averaged 10½*d* an hour, and work which formerly was rated at 1*s* a ton on day-wages is now rated on contract at 3*d* a ton. On contract generally forty men are now doing the previous work of one hundred on day-wages" (*Daily Chronicle*, February 10th, 1891).

That the character of the existing arrangements in regard to the work of these dockers is fully co-operative, cannot with accuracy be alleged. Still, these arrangements possess certain features of an undoubtedly co-operative nature; and it is not too much to say that it is these features which are mainly responsible for the noteworthy success attained in this instance.

* See the figures in the *First Annual Report* of the Dock, Wharf, Riverside and General Labourers' Union of Great Britain and Ireland (pp. 134-137).

CHAPTER XII.

ON PIECE-WAGE FOREMANSHIP.

In relation to the method of industrial remuneration the position assigned to the superintendents of labour is a matter of so great importance as to merit special consideration. The case, in which the person whose duty it is to supervise the labour performed by subordinates is remunerated—as most foremen are—exclusively by time-wage, calls for no remark. But, from the moment that the remuneration of the foreman or overlooker is made to vary directly with the rate of speed in working maintained by the subordinate workers, at once certain features are introduced, to the nature of which it is desired to direct attention in this chapter.

The position of the superintendent of labour in relation to a group of subordinate workers must be considered under two distinct sets of circumstances, according as these subordinates are remunerated individually, or collectively. As an example of superintendence remunerated by piece-wage in proportion to the rate of speed maintained in working by the subordinate operatives, when these persons are employed and paid individually, may be cited the case of the yarn-washers in a woollen yarn factory, whom I saw working on time-wage under an overlooker remunerated by a piece-wage proportionate to the amount of their output; or—to take an instance in which the subordinate workers are on piece-wage—we may refer to the method adopted in regard to weavers in the cotton trade, who are employed on piece-wage, while the overlookers receive a poundage on the earnings of the weavers working under their supervision. No general objection is taken by

the cotton-weavers to this system; though occasionally the operatives complain that their overlookers, anxious to earn a high piece-wage, "push" the workers under them to an undue extent; and strikes caused by such conduct are not uncommon. Among the spinners, whose trade union organization is stronger than that of the weavers, piece-wage superintendence is rare; and in cases, in which this method exists, the Trade Union usually succeeds in obtaining the removal of foremen convicted of bullying the operatives into over-exertion.

In those cases, in which the subordinate workers are remunerated collectively, the methods of piece-wage superintendence adopted necessarily fall into three categories. First, we have the case in which, under the method of collective piece-wage, all the members of the group, including the foreman, are remunerated by participating, in shares determined by their employer, in the joint price paid for the labour of the group; next, we have the case in which, under the method of collective progressive wages, all the members, including the foreman, receive, in the first place, a fixed or *minimum* wage, all or some, including the foreman (or—it may be—the foreman alone), receiving in addition a premium on output; lastly, we have the system of contract work, which differs from that of collective progressive wages in this respect, that here the receipt of a guaranteed *minimum* time-wage is confined to the subordinate workers, while the leading member of the group receives, as his sole remuneration, the balance of the lump sum allotted in respect of the job remaining after paying the fixed time-wages of these subordinates (or a specified share in this balance).

With respect to the position of the foreman under the method of collective piece-wage, it should be noted that the inclusion of the foreman within the group may occur in either of two ways. Either (*a*) a lump sum may be paid, *eo nomine*, for the aggregate labour of the group, of which lump sum the foreman or other leading-man takes a specified fraction; or (*b*) the ordinary workman being separately dealt with at the pay-office, the remuneration of the foreman or other superintendent

of their labour may consist in a sum proportionate to the aggregate output pronounced by these subordinates.

The position of the foreman under the method of collective progressive wages will, after the description already given of the "piece-working" gang-master in the metropolitan docks (*ante*, pp. 72, 73) require but little additional comment now. The system formerly in force, under which the "piece-worker" took a share in the joint premium much larger than that taken by the ordinary docker, has been shown to have given rise to grave complaints of oppression; and there seems no reason to doubt that this type of piece-wage superintendence led to the serious ill-treatment of the subordinate members of these groups of labourers. In order to illustrate the working of that form of the method of collective progressive wages, in which the whole of the premium goes to the leading member of the group, and to explain how closely, under these circumstances, this method resembles certain forms of industrial organization, the abuses incidental to which are notorious, I will relate the circumstances of a case, the particulars of which have been published, and have been verified by my own enquiries.*

The contractors to a very important public body, although under an obligation not to sub-let any part of the work undertaken by them, were alleged to have employed sub-contracting foremen, who were bullying the bricklayers into working at a rate, not only most prejudicial to the reasonable well-being of these workmen, but also utterly inconsistent with the possibility of good workmanship. The fame of this alleged iniquity went forth far and wide. Bricklayers many miles away told me, that all the trade knew that this contract brickwork was being scamped in an almost incredible manner; they said, for instance, that the mortar, instead of being laid

* The form of collective progressive wages, of which the case referred to in the text is an example, is probably by no means common; and is cited, not to illustrate the normal or usual working of the system, but to show the manner, in which the system is capable of being employed, when it is desired to "force the pace" by especially vigorous and vigilant supervision, and the danger of evil results to the subordinate workers present in this special type of progressive wages.

on with a trowel, was "chucked on out of pails." These reports, which I believe to have been exaggerated, were followed by an attempt on the part of the Trade Unions to get the contractors fined, a large penalty being due under their contract, if they "sub-let." Upon enquiry, it was found that the method adopted in relation to the remuneration of each of two foremen was as follows: the brickwork was booked to the foreman at so much (say, £3. 2*s* 6*d*) per rod; from that sum were deducted, in the first place, the total amount of the time-wages of the bricklayers and labourers, and, in the second place (as was alleged by the contractors), the fixed time-wage of the foreman. The entire balance or plus was paid to the foreman. It was, in the result, found impracticable to enforce the penalty against the contractors, the method adopted not being, in law, a form of sub-contract.

If we were called upon to decide, to what extent the violent opposition exhibited to the adoption in this instance of this special form of progressive wages was justified, one most important point for us to weigh would be the ratio of the premium to the foreman's fixed salary, a point upon which these contractors firmly declined to give the public authority, by which they were employed, any information. A premium of, say, 5 per cent. on his fixed wages would scarcely tempt a foreman into bullying the men under him; but how, if he depended for, say, one-half or more of his entire earnings upon this premium upon production? Is it not obvious, that in a case like this, the foreman, almost to as great an extent, as if he were a "contract foreman" or a "sub-contractor" wholly dependent for his remuneration upon the "profit on the job," must find himself exposed to an all but irresistible incentive to slave-driving? There is, unquestionably, much to be said in favour of such a view of the circumstances in question; and we must remember that builders' foremen at an outlying job (such as this was) have practically unlimited powers of weeding out the weaker workmen, and of discharging all who will not, or cannot, keep pace with the specially fast workers whom they take care to engage. It seems certain that any system resembling that here referred to must lead, on the one hand, to the nigger-

driving of the workmen, and, on the other, to the scamping of the work.

The third of the types of piece-work foremanship is that which comes under the category of contract work. That the contract foreman, who agrees to get a job done at a fixed price, depending for his remuneration exclusively upon the balance of this price remaining after he has been debited with the time-wages of the inferior workers, is under a very strong incentive to over-drive these subordinates, is a fact too patent to require proof or comment.*

In many instances the method adopted for the remuneration of the foreman is—if we are to employ a strict economic analysis—a combination of two or more of the several forms of piece-wage superintendence distinguished in this chapter. Take, for example, a case in which a foreman contracts "to get so much work done for so much money," making what "profit" he can, after allowing for the payment of the wages of the subordinate workers. Here, if all the subordinates are on time-wage, we have that form of piece-work superintendence which comes under the category of contract work; but if some of these subordinates are on piece-work, then, so far as his relation to these particular subordinates is concerned, the piece-work foreman is not a contract foreman, the method adopted being, as explained above (p. 97), properly classified as a form of collective piece-wage. Under these circumstances it will be convenient if, leaving on one side our exact classification, we agree to speak of the foreman or leading-man, whose supervision of subordinate workers is remunerated by a piece-wage or by a premium, without reference to the particular type to which he may belong, by the generic name commonly applied to such a man by the working-classes—the name of "piece-master."

The piece-master system is to be met with in very many branches of industry; though—so my enquiries lead me to believe—this method is considerably less common in trades, in which the trade union organization is fairly effective, than in those in which the workers are imperfectly combined. In

* See *post*, p. 102.

the course of the lengthy investigation of the London boot trade, which I made for *Labour and Life of the People*, edited by Mr. Charles Booth, I came across only two instances of piece-wage foremanship. One of these was in the "lasting" department. The lasters are a well-organized section of the trade, but in relation to the particular employer in whose workshop I found this system in force, the Trade Union had very little control. I did not detect any bad results arising from the adoption of the piece-master system in this case; nor in the second instance, which was found in the upper-making factory of a large manufacturer, where the employees (other than the foreman) were women, none of whom belonged to any trade organization.*

Most of the other cases of piece-master foremanship, which I have come across, have occurred in trades in which no trade union organization, or none possessing any real efficiency, existed. I have heard of such a case in regard to watch repairers at Glasgow; women in East London in many unorganized trades are to be found at work under piece-working foremen; so are some bag-makers of the less skilled sort, though the influence of the Trade Union has stamped out the piece-master system in the portmanteau trade.

In the building trade, although the trade union organization is vigorous, the piece-master system is by no means unknown. In cases of the description here referred to, a given quantity of work is contracted for by the foreman or some leading man who "takes it piece-work," receiving as his remuneration whatever remains after payment of the wages of the subordinate workmen. Work performed under these conditions, equally with work done under "sub-contract," is said by the men in the building trade to be done "under the sweating system," and the piece-working foreman

* The earnings of the lasters working under a piece-master referred to in the text, ascertained by inspection of their wages-books, were higher than those of almost any other men in the trade. They were on piece-work, worked such hours as they thought fit, and altogether seemed to have no special ground for complaint. The women making uppers under this system alluded to above were some of the very best-paid women that I met with; they worked (some on time-wage, some on-piece wage) the Factory Act hours. The accommodation in both cases was excellent.

is the subject of no less bitter denunciation than the sub-contractor, properly so called.

As a matter of definition, it may be well to note that, while the men working under a sub-contractor are employed by him, those working under a piece-master foreman are in the service of the same persons by whom this foreman is employed. But, as a matter of fact, the distinction between the sub-contractor and the piece-master is one of little practical importance. Both alike are, from the nature of their position, under a strong incentive to "sweat" the workers; and both possess ample opportunities of doing so. It is true that, since the piece-master's employers exercise some sort of control over the rate of wages received by the subordinate workers, it may be impossible for this foreman to get their wages cut down to the same extent as he would cut them down if he were a sub-contractor. All the same, it is obvious that the piece-master can "sweat" these operatives by compelling them to work at a rate far beyond their normal speed. It is clear that, if the accepted rate of wage for any class of labour be sixpence per hour, there is just as much oppression of the kind known as "sweating" in getting "sixpennyworth of work" out of a man for fourpence by forcing him, while employed at sixpence an hour, to work thirty-three per cent. faster than the normal rate of speed, as there is in getting his labour at the same reduction below its "fair" value by paying him only fourpence an hour, while not exacting more than the standard amount of output per hour. Nor is that well-known custom of the sub-contractor—the custom of "working short-handed," that is to say, of putting three men on to do a job which (unless the men work with a degree of exertion absolutely incompatible with their health and reasonable well-being) requires four men to do it, altogether absent from the piece-master system, especially in cases in which the piece-working foreman is engaged on a job remote from headquarters, or in which the employer, for any other reason, interferes little, if at all, with the discretion of his representative.

All things considered, it is difficult to discover any respect save one, in which the practice of giving the work to a piece-

wage foreman is, to any material extent, less oppressive than that of giving it to a sub-contractor: certainly, when the work is done away from the premises of the principal employer, the keenness of the competition between the outside sub-contractors, each eager to take the work away from his neighbour, however small the price given, is a special and a most obnoxious feature of sub-contract in very many industries, and one which can seldom find a parallel in the cases in which the work is done "indoors." Nor should we omit to bear in mind the important fact that combination among the workers to resist oppression is easier, when the work is done in a big factory, than when it is done in small, scattered sweating-dens. There can, therefore, be no doubt that the pernicious tendencies too often apparent in the system of piece-wage foremanship, are present, in a still greater degree, in most instances of what is commonly termed "outdoor sub-contract."

To sum up in regard to piece-work superintendence generally. It is clear that in cases, in which it is desired to secure a high quality of workmanship, any method, which makes the amount of the remuneration received by the superintendent of labour depend entirely upon the rate of speed maintained in working, must, as has already been remarked, involve a considerable danger to the interests of the employer; the foreman being thus placed under a strong inducement to pass scamped work as perfect, or even to represent work to have been put in, which has never been done at all. This is a danger which may be obviated by suitable arrangements. It may be laid down as an axiom that, where the minor superintendents of labour, such as leading-men, overlookers, &c., are employed on pure piece-wage, these persons, in common with all sub-contractors, should themselves be supervised by a superior foreman or manager, whose remuneration, or by far the greater part of whose remuneration, consists in a time-wage fixed wholly irrespective of the rate of speed maintained in working. Thus, for example, in engineering workshops, in which, possibly, the bulk of the work is done as contract work under leading-men remunerated strictly according to the speed maintained, we shall find the qualitative

efficiency of the labour performed secured by the supervision of a foreman, such foreman being, perhaps, in turn superintended by the manager of his department; and shall observe that both this foreman and this manager are in receipt of fixed salaries, supplemented—it may be—by a small bonus, which, in the case of the foreman, will take the form of a "tonnage" or premium on output, and, in the case of his superior officer, may possibly take the form of a share in the profits of the business.

Safeguarded in the manner described, the method of piece-work superintendence, regarded from the point of view of the employer, has indisputably much to recommend it. Unless his own pecuniary interests are at stake, a foreman cannot always be relied upon to secure the maintenance of a reasonable rate of speed in working. Not that it is impossible, in the case of a foreman remunerated by a salary, to insist upon a certain standard of efficiency in his work. Of course, in a well-ordered business a strict account of the work done under each foreman is kept; and, just in the same manner as a journeyman on time-wage, who does not turn out a *minimum* quantity of work in the week, is sure to be discharged, so a foreman, who does not take care to get at least sixpennyworth of work done for every sixpence paid away in wages, is not likely to retain his position for any length of time. But the great advantage of the method of piece-wage foremanship is that it supplies a self-acting stimulus, which dispenses with the necessity of incessant supervision of the foremen by their employer. On the other hand, this stimulus may—it is obvious—easily lead the superintendent of labour to over-act his part, and to promote his own pecuniary interests by exacting from the operatives under his control a degree of exertion seriously prejudicial to their well-being. It is, therefore, not surprising that all forms of piece-work superintendence are viewed with disfavour by the working-classes. The grounds of this antipathy, which finds its chief expression in the popular denunciation of "Sub-contract," are so fully commented upon in later chapters dealing with that "method" and with "the sweating system" generally, as to require no further treatment in this place.

CHAPTER XIII.

SUB-CONTRACT.

In preceding pages we have considered the case, in which a group of persons, all of them being in the immediate employment of the same master, are employed under the method of Contract, that is to say, under an arrangement, by which the remuneration of the leading man in this group consists in the difference between a lump sum agreed upon as the price of a given amount of work and the sum total of the wages of the subordinate workers. The amount received by this leading man is the piece-work remuneration of his labour—labour consisting, in most cases, partly in manual work done by the man himself, and, in all cases, in the superintendence which he exercises over the work of his subordinates. The nature of the remuneration received by the leading member of a group engaged under the method of Contract Work is thus seen to closely resemble profit (*i.e. profit de l'entrepreneur*), differing in this respect alone, that a man cannot properly be said to earn a profit, unless the earnings referred to accrue to this man by reason of the employment by him of subordinate workers. Now, under the method of Contract Work, the subordinate workers are not in the employment of the head man of the contract group, but are the employees of the same master by whom this man is employed. The distinction, therefore, between the "contractor" (or piece-work foreman) and the "sub-contractor," is that the former is not an employer, while the latter is, being a sub-employer working under a superior employer.

The earliest critical appreciation of the method of sub-

contract, with which I am acquainted, is that contained in McCulloch's *Treatise on Wages* (pp. 70, 71). Describing the sub-contractor, who undertakes to execute a certain amount of work for a certain price, and who employs others to assist him in its execution, McCulloch observes that "it is his object to finish his task as expeditiously as possible, and to employ his profits as a means of extending his business. In this way he gradually rises in the scale of society, till, having ceased to work with his own hands, he becomes a contractor on a large scale, or engages in some other occupation. And it is plain that the training and experience he has had, and the habits he has formed, must make him at once a vigilant and a discerning master. The foundations of thousands of middling, and of very many large fortunes, have been laid in the way now stated. It is, in truth, the broadest, the easiest, and the safest of the various channels by which diligent, sagacious, and frugal individuals emerge from poverty, and attain to respectability and opulence. Those who thus rise to distinction may be emphatically said to be the architects of their own fortunes. They owe nothing to interest, to favour, or to any unworthy means. They stood originally on the same level with their fellow-workmen, and they owe their elevation to the judicious exercise of talents common to them all."

The highly favourable opinion of sub-contract work entertained by McCulloch agrees in all respects with the views expressed by Professor Cairnes, who, in an article published in 1865, in *Macmillan's Magazine* (Vol. XI., pp. 181–190),* entitled "Co-operation in the Slate Quarries of North Wales," called attention to "a species of co-operation prevailing throughout some large industries in Great Britain" known by the name of "the contract system," a system which will be seen to be identical with that referred to in the present chapter—the method of sub-contract.

"The portion of the slate which it is proposed to work is divided into sections carefully marked out which are let out as 'bargains' to as many small co-partneries, consisting generally of three or four working-men. These co-

* Republished in *Essays on Political Economy*, pp. 166-186.

partneries 'contract' to produce slates, each from the section of the rock assigned to it, according to sizes and shapes at so much per thousand."

The men who take these contracts are "the older, more experienced, and better off," while "the remainder are employed by them as labourers at fixed wages."

"The capital employed in the undertaking is furnished principally by the proprietors or lessees of the quarries, but a portion is also provided by the 'contractors.' Thus the former supply the larger and more expensive machinery, such as the tramways, waggons, steam-engine, pumps, slate saws, and planes, &c., while the latter furnish the smaller tools, as well as the gunpowder used in blasting."

Professor Cairnes observes that "the beneficent tendency of these arrangements" has resulted in the very satisfactory position of the workpeople, and cites the case of a manual labourer "who was known to be in receipt of between £80 and £100 a-year, independently altogether of his current earnings—the return on capital saved and invested," while "the earnings of the 'contractors' average something like £5 monthly." At the same time it is specially noted that all the labourers have an equal opportunity of attaining the rank of "contractor;" hence arises "a state of things which serves to diffuse throughout the entire organization an influence of the healthiest kind."

A writer contemporaneous with Cairnes and no less sympathetic in his attitude towards the claims of labour is Thornton, who draws attention to the useful part played by sub-contract in technical education. "When, according to a not uncommon practice in certain trades, a superior workman takes from his employers a sub-contract for the performance of a certain job, he generally associates in it with himself a number of inferior hands, apprentices and others, whom it then becomes his interest to instruct in his and their business, instead of leaving them, as apprentices are generally left, to pick up instruction as they can." (*On Labour*, p. 316.)

Another authority of eminence, possessing a large knowledge of the practical details of labour organization, Lord Brassey, speaks in terms no less eulogistic than Professor Cairnes of the method now under consideration. Lord Brassey tells us that "on a long line of railway every cutting, bridge,

tunnel, embankment, and station is executed by one or more separate sub-contractors;"* and that in his father's business "all his work was done, as far as possible, by sub-contract, which is piece-work on a somewhat larger scale. Even the scaffolding for the erection of an iron bridge, such as that over the Severn, near Colebrook Dale, of two hundred feet span, was carried out upon the principle of sub-contract; and the same system was adopted for the excavation of shafts and adjacent lengths of tunnel. Payment by piece is beneficial alike to the master and the men."† Mr. Denny, the ship-builder, who was a warm advocate of the method of sub-contract, refers to "the bands of workmen in a ship-yard, engaged in the larger operations of plating or framing an entire ship, and managed and paid by one or more superior tradesmen. . . . You will invariably find such men paying their labourers a greatly increased rate of wages compared with that paid by the firm."‡ This is accounted for by the fact that "they select the best men, and knowing they are the best can afford to pay such wages as will induce these men to do their utmost."§

The terms of laudation in which the method of sub-contract is spoken of by economists and social reformers, such as Cairnes and Thornton, and by practical business men, such as Denny and Lord Brassey, are all the more striking when we remember that it is this same method which, under the sinister appellation of "the Sweating System," has recently aroused in an unparalleled manner the indignation of the public, and has formed the subject of enquiry on the part of a Select Committee of the House of Lords. No attempt to summarise the immense mass of evidence taken by that committee, and published in five enormous blue-books containing the answers to nearly 33,000 questions, can be made here. But in refer-

* *Lectures on the Labour Question*, p. 137.

† *Work and Wages*, pp. 264, 265. Compare the remarks upon sub-contract contained in *Life and Labours of Mr. Brassey*, by Sir Arthur Helps, pp. 41-50.

‡ *Worth of Wages*, p. 18.

§ "We know that sub-contractors often pay far better wages than the chief contractor can, because they know their men better, and get better work out of them" (*Contemporary Socialism*, by John Rae, Second Edition, p. 432).

ence to the subject of the present chapter—the position occupied by sub-contract in relation to the method of industrial remuneration—one point must be brought to the notice of the reader. Although the nature of the enquiry made by this committee was such that all cases of sub-contract, in which no complaints of ill-treatment were made by the workpeople, were, so far as possible, excluded from its investigations, yet, even upon the evidence taken by the Lords, it is abundantly clear that the employees of sub-contractors are not in every instance alike exposed to that kind and degree of ill-treatment which goes by the name of "sweating."

That the earnings of many of the workpeople employed by many sub-contractors are very low indeed, and that, in order to keep body and soul together, they are forced to work, as one witness puts it, "all the hours that God sends," may be exemplified by copious instances. Thus, in East London, Mrs. Killick works from 6 A.M. to 8 P.M., and does not clear 1*s* a day. Mrs. Hayes, another trouser finisher, works from 8 A.M. to 10 or 11 P.M., assisted by her daughter; and the two together earn 5*s* 6*d* a week. Mrs. Casey, a shirt machinist, begins between 7 and 8 in the morning, and has to work sometimes till 11 at night. Mrs. Liddle, who often works longer than this, earns in the same trade from 5*s* to 7*s* per week, less 9*d* for cotton and 2*s* 6*d* for the hire of her sewing-machine. Mrs. Attewell, another shirt machinist, works from 7 A.M. to 8 P.M., and reckons that, by the time she has paid her rent and firing, she has not more than 6*d* a day left. Mrs. Glazier can earn at shirt finishing not quite 4½*d* per day. This exhausts the list of witnesses called for the prosecution, so far as East London is concerned. Nothing can well be more miserable than the position of these women, all of them widows, or wives of men either permanently disabled or continually out of work. But, apart entirely from the method of their employment, no one of them, situated as they unfortunately are, could well expect to earn a decent living. Mrs. Killick's work was done in the intervals left vacant by her assiduous attention to a sick husband and to three young children. Mrs. Hayes has got

two children at home, the one who assists her being in poor health, and is herself a great invalid. Mrs. Casey has a young family (number not specified) to look after. Mrs. Liddle is a novice at her trade, has her domestic duties to attend to, and says: "If I could have the little baby put at a home, and had my work regular every day, I could earn 12*s* a week." The position of Mrs. Attewell is similar to that of Mrs. Casey. Mrs. Glazier suffers from very weak eyesight.

On the other hand, three witnesses called for the defence prove distinctly that, even in overcrowded Whitechapel, good money can be earned by women employed by sub-contractors, provided always that these women are able to do work very much more skilled than the most unfortunate people just referred to, all of whom are engaged upon goods of the lowest description. Miss Gashion, a button-holer, employed by a sub-contracting tailor (Mark Moses), being set to work in the committee-room under the supervision of the Clerk, made four button-holes in thirteen and a half minutes, thus earning at the rate of 9*d* per hour. This woman (whom I know to be a very fast worker) deposed that her hours of work are those permitted by the Factory Acts, that she has earned 26*s* in a week, and can habitually earn more than 4*s* a day (less 20 per cent. for her gimp and twist). Miss Jane Sessions, a machinist, also working for Mark Moses, says she makes 4*s* 4*d* per day; she averages four to four and a half days' work in each week. Miss Annie Sessions, a baster, employed by another sub-contractor, works the same hours as the last two witnesses, and earns 4*s* a day; she gets work about four days out of seven through the year. Can it be said that women in the position of the button-holer, the machinist, or the baster just mentioned, are sweated?

When we come to the male employees of the sub-contractors in London, we find, again, that, while the condition of the unskilled workers is deplorable almost beyond conception, that of the more capable workers is by no means so unhappy. Take the boot trade, in regard to which we must note that the evidence here summarised refers to a state of

things no longer existing; for the strike of April, 1890, has almost entirely abolished "out-door" work and sub-contract, so far as the "lasting" and "finishing" departments * are concerned. The part of the work of making a boot which requires the smallest degree of skill is the "finishing." The finishing of boots of inferior quality—the task of finishing boots of the better class was never entrusted to sub-contractors—is entirely in the hands of foreigners. The work is divided into two parts, of which the one that demands by far the greater degree of skill, the "knifing," was performed by the sub-contractor himself. The "journeymen" finishers, whose work is of the most unskilled description, were perhaps the most unfortunate set of men in the United Kingdom, if not in the whole wide world. The *genesis* of the boot-finisher may be exemplified by the case of Hirsch. This witness had been an agricultural labourer in Russia, and had come to England six months prior to his appearance before the Committee. He presents himself to a "countryman" of his, who is himself a journeyman finisher employed by a sub-contractor. "He gave me nothing the first week, but he gave me food, and he gave me a shilling for the second week, with food." Then Hirsch is advanced to 5*s* a week, and now he is making 8*s*.

"I start on Sunday morning, commencing at 7 and work up till 10; and the other days I start at 6 and work right up to 10 as well, but on Thursday I work up to 12 o'clock, and Friday come again at 6, then I work until sunset."

But, if the present circumstances of this agricultural labourer, who turns boot-finisher in a foreign land, are pitiable, what are we to say of his future? The chances are very great that, his faculties being hopelessly blunted by the cruel strain of this truly awful existence, he will never acquire the superior ability demanded in the "knifing," and can never look forward to earning more than about 3½*d* per hour,

For a detailed account of the boot trade in East London, see the paper by the present writer in *Labour and Life of the People*, edited by Mr. Charles Booth, Vol. I., pp. 241-308. In reference to the statement in the text as to the abolition of the sub-contract system, it must be remarked that about a year after the termination of the strike of April, 1890, complaints that the objectionable system was still adopted, were made, and the cases of its occurrence appear to grow somewhat less rare.

and that in a trade in which employment is so irregular that his average weekly earnings are unlikely to exceed those of Solomon Rosenberg, who says :—

"The average through the year is 15*s* a week, and out of that I have to pay 6*s* 6*d* weekly rent, and then I have to pay 1*s* 3*d* per week for paraffin for lamp, and 1*s* 3*d* per week for coal for burning, then I have to pay 6*d* a week to send six children to school at a penny a week, that comes to 9*s* 6*d* a week, and then take into consideration that I have left only 6*s* a week to maintain seven children, nine in family."

Rosenberg (who was a "professor" in Poland before he came to this country in 1870, with 10*s* in his pocket, and whom I know to be a hard-working and competent journeyman) was most unmistakably sweated. But, on the other hand, the evidence contains full details with respect to the position of other men—skilled hands in the tailoring trade, for example—also working for sub-contractors, whose circumstances are by no means so wretched as those of this typical boot-finisher. To refer again to Mark Moses, whom Mr. Burnett, the Labour Correspondent of the Board of Trade, calls a "fair representative of the sweaters in East London," saying that "he does not do the best class of work, although he employs his people under good conditions." This sub-contractor is shown by Mr. Burnett to employ "in a large well-fitted workshop" the following men:—1 general tailor at 8*s* 6*d* per day, 5 fitters (at 6*s*, 5*s* 6*d*, 5*s*, 4*s* 6*d*, and 3*s* 6*d* per day), 7 machinists (1 at 8*s*, 1 at 7*s* 6*d*, 1 at 5*s* 6*d*, 2 at 4*s* 6*d*, and 1 at 4*s*, per day), 4 pressers (at 8*s*, 7*s*, 5*s*, and 4*s*, per day). Mark Moses is proved to find employment for his hands for nearly five days out of seven (which corresponds with the evidence given by another sub-contractor, employed by the Civil Service Stores, and with the observation made by Mr. Burnett, that the larger sub-contractors "have good regular work"). It is clear that, so far as the remuneration of their labour is concerned, the employees of Mark Moses and of other sub-contractors of the same or of a superior type, can scarcely be said to be sweated. Woolf Zeitlin, secretary of the Jewish Branch of the Amalgamated Society of Tailors, says: "The machiners and pressers are well paid; they get as much as 7*s* or 8*s* a day." Another machinist, formerly president of the London Tailors' Machinist Society,

told the Committee that his wages were 9*s* a day, that these wages are not at all exceptional, and that friends of his get 10*s*. At the same time, the hours of employment, even in an otherwise well-regulated workshop, like that of Mark Moses, are very much longer than we can approve of; for his general tailor works thirteen and a half, and his other male employees thirteen hours in the day. In this most important respect, sweating, in the sense of overwork, appears to exist in the workshops of all the East End tailoring sub-contractors without exception.

The great majority of the sub-contractors in the metropolitan tailoring industry are located in East London. In the West End we find an instance of a sub-contractor (Poswa) who pays to his worst man £2. 5*s*, and to his best £2. 17*s*, per week; his hours are proved to be from 8.30 A.M. to 8 P.M., with a half-holiday on Saturdays; the accommodation is shown to be excellent. It is difficult to see how the employees of this sub-contractor can properly be termed sweated. But another sub-contracting tailor (Marks) admits employing his hands from twelve to fourteen hours a day; and I am inclined to believe that, so far at any rate as overwork is concerned, a large proportion of the men employed in the workshops of these West End sub-contractors are, beyond all question, sweated.

Turning from Whitechapel and the West End to the "east metropolitan district" (including a large area in Hackney, Bethnal Green, Mile End, Old Ford, and Bow, in which sub-contractors, engaged in the tailoring, and in many other industries, are extremely abundant) we find that Mr. Bowling, the factory inspector, reports as follows :—

"In the occupations where work is given out in my district by contract, the facts, as far as I have been able to ascertain them, show that according to the accepted rate of wages, skilled labour of all sorts is fairly remunerated, while in many cases unskilled labour is poorly paid; but whether the payment of unskilled labour is sufficient, *i.e.* for the labour given in return for it, is a most difficult point to decide; the principal cause of the lowness of wages paid is the excess of unskilled labourers over the demand for their labour; and, in my opinion, this excess of unskilled labour is produced more by indiscriminate charity and Mansion House Funds than by other agencies. I remember a case where the father of a family was incapacitated, and required the nursing and attendance of his wife and daughters. They could not have made long

journeys to get the work, but a contractor was established near them, and from him the mother and two daughters obtained work enough to bring them in 27*s* a week; and they were able to attend to all their domestic duties as well. The house was in excellent order, and the girls looked healthy and strong. I only mention this case because I believe in my district, which is further away than Mr. Lakeman's [the "central metropolitan"] from the big warehouses, the contractor is often a beneficent and useful person."

But it is when we leave behind London, with its congested population, and its vast supply of female and foreign cheap labour, that the less unamiable features of the sub-contract system strike the eye. At Liverpool the workshop accommodation provided by many sub-contracting tailors is shown to be good. "The hours of work," writes the factory inspector, "in the sweating shops are almost universally from 8 A.M. to 8 P.M., with one hour for dinner and half an hour for tea. Overtime on Friday nights is very prevalent." In the carefully prepared table given by the same authority we find pressers getting 7*s* or 7*s* 6*d*, and good machinists (female) are rated at 3*s* to 4*s*, per day. At Leeds the sub-contractors were found by Mr. Burnett (see Appendix O, Vol. IV.) to work on a large scale, "the average of machines to each master is somewhere between twenty and thirty." Some are "men of much capital, and have laid down engine-power to drive their sewing-machines." Mr. Burnett adds that "the work is chiefly carried on in workshops of fair size, fairly cleanly, well ventilated, and under the supervision of the factory inspectors." The hours are for head men ("fixers") 11½ hours per day, for the others 10½. Overtime is very seldom worked, even in the busy season. One Leeds sub-contractor tells the Committee that he pays his men "on the board" from 30*s* to 36*s*; pressers, 33*s* to 38*s*; under-pressers, 24*s*; machinists (male), 33*s* to 42*s*, and (female) 15*s* to 32*s*, per week; and a glance at the figures given by Mr. Burnett shows that the wage of a competent hand employed by a sub-contractor is, for a man, not less than 6*s* or 7*s*, and for a woman, from 4*s* to 5*s*, per day. A female operative, working for one of the Leeds "middlemen," told the Committee that these sub-contractors "pay better than the inside masters."*

* Information as to the wages paid to tailoresses employed by the "inside masters" (manufacturers) at Leeds is contained in an article by Miss Clara

The factory inspector of the district declares point blank that there is no sweating in the Leeds trade.*

A due regard for the patience of the reader will not permit me to follow the sub-contract system in the tailoring trade throughout the provinces. Suffice it to say that, speaking of the sub-contractors in the tailoring trade at Birmingham, Mr. Tinker, Inspector of Factories, says: "I do not think that there is any trade in any town in England where the wages are better, where the people seem better off, and there are no complaints." At Glasgow a thoroughly efficient man can command from a sub-contractor as much as $7\frac{1}{2}d$ per hour, which is shown to be a higher rate than that fixed by the Trade Union for the skilled men employed (without the intervention of any sub-contractor) upon the best "bespoke" work by the first tailors in Edinburgh; while capable female machinists take 5*s* per day. At Bristol and Stroud, where there are a number of tailoring sub-contractors, the factory inspector writes that "good wages are paid to their workpeople; in fact, more than the current rate. Their workshops I found to be in good condition." The hours of work are those allowed by the Factory Acts. Another inspector writes:—

"There are many cases in Plymouth, Stonehouse, and Devonport, in the

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E. Collet (author of the chapters on Women's Work in East London, and on West End tailoring—Women's Work in *Labour and Life of the People*, edited by Mr. Charles Booth) in *Economic Journal*, September, 1891. A comparison of the figures given in this article with those contained in Mr. Burnett's report, shows that women can earn at least as good day-wages in the workshops of the sub-contractors as in the factory of a manufacturer. Possibly the women give more in return when employed by a sub-contractor; and they appear to be then affected to a greater degree by irregularity of employment. In East London I am acquainted with a large firm which gives out some of its trouser work to a sub-contractor (a person employing over one hundred operatives, some in an admirably arranged factory, provided with motor power, others in their own homes); the women in the trade prefer working for this sub-contractor to being employed direct by the firm; and declare that they earn more money when employed by the sub-contractor.

* Miss Collet says, "The title of Mr. Burnett's report ('On the Sweating System at Leeds') is misleading. There is a system at Leeds, but it is not a sweating system" (*Economic Journal*, September, 1891, p. 469). The system at Leeds is, of course, the same system as that in Whitechapel, &c.,—the system of sub-contract.

tailoring and outfitting trade, in which work is let out to a contractor or middleman who undertakes to perform it and finds the requisite labour, but I have not found any case in which such labour is inadequately remunerated, and the workshops of this class are, on the whole, fairly ventilated and not over-crowded."

A third inspector of factories remarks:—"In brick manufacture it is common for the foreman to make bricks at so much per thousand for the occupier of the works, paying his own labour; but I have never heard that the wages were unduly lowered thereby."

Enough will have been said to justify, even from the evidence taken by the Committee, the assertion that there can be sub-contract without sweating; but it must again be pointed out, that many more cases of innocuous sub-contract might have been brought to the notice of the Committee, if it had not been for the manner in which the enquiry was limited, so far as possible, to cases in which sub-contract was alleged to be accompanied by the ill-treatment of the workers. This may be exemplified by the method adopted in investigating the sub-contract system in the boot trade. Among the numerous operations, which together make up the manufacture of a boot, there are three in which sub-contract exists—the "upper-making," the "lasting," and the "finishing." In the "lasting" there is considerable, and in the "finishing" there is (as already stated) the utmost conceivable, misery among the workers employed by the sub-contractors; in the "upper-making" department no complaints of oppression on the part of the sub-contractor are made.* Accordingly, while some little evidence is adduced in regard to the sweating-masters in the lasting, and much as to those in the finishing, branch, not one of these upper-making sub-contractors (of whom there are many hundreds in Hackney, Bethnal Green, and other parts of East London, to say nothing of those in the provinces) was brought before the Select Committee, nor was a single person employed by any one of them asked to bear witness; and this, although more than one of the persons brought before it to give testimony in regard to the boot trade distinctly informed the Committee of the wide prevalence of sub-contract in the upper-making department.

* See *post*, p. 117.

Turning now from the evidence given before the Lords' Committee to instances of sub-contract work, which I have come across in my investigations into different points connected with labour questions, I beg the reader to note that the examples which follow are simply given as instances casually met with by the writer, and are by no means intended to form an exhaustive list of the industries in which sub-contract is prevalent. For, while a very general opinion appears to exist that sub-contract is a peculiar and comparatively rare mode of industrial organization, my own observation of the facts has convinced me that sub-contract is a system so widely adopted throughout the length and breadth of British industry that any attempt on my part to make an exhaustive enumeration of the trades, in which it is met with, would be futile.

When I was making investigations, in order to write the paper on the boot trade which I contributed to *Labour and Life of the People* (*East London*), edited by Mr. Charles Booth, I came across a large number of sub-contractors in different parts of the districts examined. I found that the uppers of "bespoke" boots for the retail "hand-sewn" trade are usually made by "closers," many of whom employ machinists and certainly do not sweat these women. In the wholesale trade the bulk of the "uppers" are made by operatives employed in small workshops under sub-contractors, persons who have never yet been accused of "sweating" their employees.* In the slipper-manufacturing industry, though in the making (*i.e.* lasting and finishing) of inferior goods, foreigners are employed under sub-contractors, both they and their masters working during hours almost incredibly long for the most wretched pittance, yet the boys and women employed as sewers by the English workmen, who make the better class of "sew-rounds," are in every way well treated. I also came across "chamber-masters" (manufacturing complete boots) against whom no charge of sweating can by any

* For an account of these upper-makers the reader is referred to the *Annual Report of H.M. Chief Inspector of Factories and Workshops for* 1887, pp. 101-103, where the remarks of Mr. Lakeman, Senior Metropolitan Inspector, upon the very small earnings of these sub-contractors may be noted. The case of upper-makers working under a piece-master is referred to *ante*, p. 101.

possibility be made; for Mr. K. McCrae, secretary of the Amalgamated Society of Boot and Shoe Makers, wrote to me in regard to these sub-contractors:—

"These middlemen work for large shopkeepers, taking the work out in considerable quantities, and make it right out. All these middlemen pay the full scale of wages fixed by our first-class West-end statement. There are no complaints as to the way in which they treat their men. I believe that these middlemen get rather low prices from their employers, and do not earn large profits."

In the printing trade (as Mr. C. J. Drummond, secretary of the London Society of Compositors, writes to me) "weekly newspapers are not unfrequently 'farmed' by members of the Society, the farmer paying the full scale-price to the compositors engaged. In such cases the farmer takes the newspaper from the proprietor at a fixed price, engages his own compositors, and pays them, the proprietor being practically ignorant of the men employed. For example, *Lloyd's Newspaper*, the *Illustrated London News*, and the *Graphic* are farmed, all the compositors employed being members of this Society." Would it be accurate to say that the compositors engaged by the farmers in these cases are sweated by these sub-contractors?

Desiring to study the method of industrial remuneration adopted in the iron trade, I visited some extensive ironworks in the Midlands, belonging to an old-established company which gives employment to nearly ten thousand men. Posted upon the office door I read a notice intimating that "Contractors will be furnished with change with which to pay their men." And I found that here, as is the case—I was told—in most similar establishments, almost every operation was performed under sub-contract. The puddlers employed their own "underhands;" the shinglers, the rollers, the mill-rollers, the saw-men, all employed their own assistants, varying in number from one to four. The sheet-mill was under a sub-contractor employing half-a-dozen subordinates; the hammerman had three; the iron-moulders, thirteen in number, were under a sub-contractor. The coal was brought in, and the ashes removed, by sub-contractors; of whom there were in different departments numerous other varieties. Descending one of the mines from which the company obtains its coal

and iron, I found that the minerals were got by miners each of whom had under him from three to nineteen day-wage men and boys employed by him,* were carried to the pit's mouth by another class of sub-contractors and their employees, and were taken thence to the railway trucks by the "banksmen," sub-contractors each of whom employs half-a-dozen subordinates. Proceeding to the quarry from which the limestone used in smelting is obtained, I found that the work was carried on by sub-contractors in the manner described by Professor Cairnes.

The existence of sub-contract in the manufacture of agricultural implements is referred to in *Old World Questions and New World Answers*, by D. Pidgeon, p. 283. In the ship-building industry sub-contract is widely prevalent,† the merits of this method being set forth by Mr. Denny, of Dumbarton, in his *Worth of Wages* already cited, while its demerits are ably expounded in a paper by J. Lynch (*Report of Industrial Remuneration Conference*, pp. 114-116).

That the investigation made by the Sweating System Committee embraced all the varieties, or was sufficiently exhaustive to afford a clear insight into the general operation of the system of sub-contract will scarcely be contended. Did space permit it, it would be easy to enumerate many further instances of sub-contract, which were never brought to the notice of the Lords' Committee; from the "butties" in mines,‡ sub-contractors who undertake to get the coal from a large part of a mine, to perform all the necessary operations required in working it, and to deliver it to the mine-owner at so much a ton, down to the innumerable sub-contractors to be

* See the evidence given before the Labour Commission on November 18th, 1891, by Mr. T. Richards, on December 9th, 1891, by Mr. J. P. White, and on December 11th, 1891, by Mr. W. Kerry.

† In ship-building yards in which sub-contract prevails the visitor will often be told that no work is done on sub-contract, the ground of this statement being, that all the men are borne on the books of the firm. But this fact has no bearing on the question. The leading member of each group will in these cases be found to be the only one who receives his pay from the firm; he gets a lump sum, out of which he pays what he chooses to his subordinates, whom he possesses an uncontrolled discretion in selecting and discharging. These subordinates are thus the employees of this leading man and not the employees of the firm. The system is clearly sub-contract.

‡ See the evidence given before the Labour Commission on October 28th, 1891, by Mr. John Weir, secretary of the Fife and Kinross Miners' Association.

found in all branches of the building trade; to those in the cement trade along the Medway (in which the "burning" and "grinding" are done under the method of sub-contract) to the pressers and basters in the London mantle factories, who are allowed to pay their own assistants, to the women in match factories, who pay their own helpers; to the "minders" in the Lancashire cotton-spinning trade, who always engage and pay their own "piecers;" and so on, almost *ad infinitum*.

Sub-contract, in fact, is practically ubiquitous. The ideas, which occupied so prominent a place in the agitation against "the sweating system," that sub-contract was a special, exceptional, and universally oppressive method of industry, and that the whole, or a large part, of the phenomenon known as "sweating" was due to the fact of the "sweatees" being employed under this peculiar and sinister "method," are, in the main, unfounded. Nor could it be expected that, upon the correctness or incorrectness of these ideas much light could be shed by an enquiry which, while it called for evidence of those cases only in which sub-contractors were alleged to ill-treat their workpeople, not only consistently, and, on the whole, successfully, endeavoured to exclude from investigation those numerous cases in which sub-contract exists without any trace of sweating, but also did its utmost to avoid embracing in its scrutiny all cases in which large manufacturers, not called "sub-contractors," oppress and underpay their employees. That the rejection of evidence in favour of good sub-contractors and against bad manufacturers, was the necessary consequence of the form taken by the reference to this Select Committee, is possible. But, in any case, this rejection inevitably detracted in a large measure from the value of the evidence collected by this body, considered as material for the scientific study of methods of industrial remuneration.

Sub-contractors, it is fully admitted, often treat their employees in a manner of which these workpeople complain; and frequently complain with justice.* But the improper

* Out of the 1,141 strikes and 66 lock-outs mentioned in the Board of Trade Report for 1889, 16 strikes and 1 lock-out were due to disputes between sub-contractors and their workmen (8 strikes and 1 lock-out in the ship-building, 1 strike in the engineering, 3 in the tailoring, and 1 in the building trade); while in 1 case workmen (iron-moulders) struck because they were not allowed to take the work as sub-contractors.

treatment of employees is not a monopoly of any class of employers; and it is, indeed, extremely doubtful whether the number of persons sweated by sub-contractors is appreciably greater than that of those undeniably sweated by employers to whom this name is never given. All the same, there exist in relation to sub-contract certain circumstances which go far to account for the strong aversion entertained by a large section of the working-classes to this "method" of employment. The nature of these circumstances will be considered in the following chapter.

CHAPTER XIV.

ON THE OBJECTIONS ENTERTAINED TO THE "METHOD" OF SUB-CONTRACT; AND HEREIN OF "THE SWEATING SYSTEM."

THE aim of the present chapter is to consider the objections advanced to the "method" of sub-contract, and, in the first place, the reasons which have caused this "method" to be so generally identified with that "system" of industrial organization designated by the opprobrious title of "the sweating system."

In passing, we may examine the meaning attached to this term, "the sweating system," by those who do not confine its signification to sub-contract.

Omitting all reference to the earlier agitation against the sweating system (in 1848 and a few subsequent years) we find in Crompton's *Industrial Conciliation* (1876), p. 12, "The strike of the cabinet-makers . . . was to maintain the true piece-work system, to prevent the introduction of the lump or sweating system." The "lump" system, explained *ante*, pp. 32, 33, has, of course, nothing to do with sub-contract. Passing to the evidence before the Sweating System Committee we find one case adduced by a witness in the tailoring trade in which the method described as an instance of the sweating system consists in the sub-division of labour, different parts of a garment formerly made throughout by one man being now given out to be made by several operatives (Vol. I., p. 394); another system, to which he applies the name of the sweating system, consists in the employment of women to do work formerly done by men (*ib.*, p. 393). Another definition appears in the Report as to the nail and small chain makers, by Mr. John Burnett, Labour Correspondent of

the Board of Trade (p. 39): "This master gives work out to women at less than list prices, which is here considered a form of the sweating system." That is to say, if an employer, no matter under what method his workpeople are employed, declines to pay the full rate of wages fixed by the workmen in agreement with the general body of masters, he is said to employ his operatives "under the sweating system." A wider definition still is given by a witness, Mr. Parnell, secretary of the West End Branch of the Alliance Cabinet-makers' Association, who, when asked what he understood by the expression "the sweating system," replied:—

"What is usually meant by the sweating system I think does not at all convey the correct idea of what sweating really is. The sweating seems to convey an idea to the generality of the public that it only exists where such bad wages are earned, that the individual who is sweated can scarcely live upon them, but in our opinion (I am speaking for my fellow-workmen) that is not the idea which we have of sweating. We consider sweating to be the taking out of any undue profit from work that would otherwise go, or that could otherwise be applied, to the labour put in that work." (Vol. I., p. 279.)

Wider still is the definition given by another working-class witness, who says: "My definition of a sweater would be a person that lives on the labour of other persons; whether he takes work and sub-contracts that work, or whether by any other means he manages to live without working, I call that person a sweater." (Vol. I., p. 391.)

Widest of all was the definition given by Mr. Arnold White, to whose untiring zeal in getting up the case and bringing forward evidence on behalf of the prosecution the Committee was so deeply indebted. When requested to define the sweating system, Mr. White answered:—"I think it is impossible to give a scientific definition of the term, but it involves three ideas which are sufficiently distinct. The broadest definition that I can give of a sweater is one who grinds the face of the poor; the second is that of a man who contributes neither capital, skill, nor speculation, and yet gets a profit; and the third is the middleman." (Vol. I., p. 35).

So much as to the vagueness of the term, "the sweating system," as it is commonly used; its signification, as will be seen, being far wider than the narrow limits of sub-contract, and extending beyond the confines of our present subject—

the method of industrial remuneration. In the pages which follow an attempt will be made to consider the nature of the evils incidental to "the sweating system," so far only as that "system" is coincident with the "method" of sub-contract.

What, then, is the method of industrial remuneration and organization denoted by the term "sub-contract?" If you ask the man in the street what he means by "the method of sub-contract," he is pretty sure to reply—"Oh, the sweating system, of course. Suppose a master tailor gets the cloth for a coat cut out on his own premises, and then sends the stuff out to a middleman to be made up: that is sub-contract." To begin with, the *locus in quo* has nothing to do with the matter: for the clothier may quite well have his sub-contractor on his own premises, as in the case of the sub-contracting tailor, Poswa, already mentioned (*Sweating System Evidence*, Vol. I., pp. 924-925). But, whether he be a "sweater indoors" or a "sweater outdoors," what is it that makes a man a sub-contractor? What, in short, distinguishes this "middleman" from all other kinds of employers? Keeping to our concrete facts, let us enquire into the whole history of this coat, and see at what point the sub-contracting comes in. A "middleman," it is conceived, is someone who comes between the "producer" (by which is generally meant the workman who performs the manual labour necessary to the production of any article), and the consumer, who uses this article. Now, as to this coat, presumably we begin with the manufacture of the cloth; though it is hard to see why we should not begin with the growing of the wool. However, we will consider the first step in the production of this coat to be that the cloth manufacturer sets to work to turn the wool into cloth. The first thing that the manufacturer does with his wool is, in all likelihood, to send it out to a sub-contractor to be combed and spun. He gets it back as yarn, and weaves it; then he probably gives it out to yet another sub-contractor to be dyed and finished. Then the stuff goes to the London woollen-draper, who promptly passes it on to a cloth-worker to be examined and shrunk. After this, the cloth is sent by the woollen-draper to the master tailor, who, as we said, gets the cloth cut out by his own cutter, and then sends the pieces to a

sub-contractor (a "sweater") to be made up. Now, for what reason is it that the last alone in this chain of sub-contractors is spoken of as a middleman and abused as a sweater? Why is it that the employees of this sub-contracting wool-comber and spinner, and of this sub-contracting dyer and finisher, and of this sub-contracting cloth-worker are not supposed to be employed under the peculiar "method" variously termed "sub-contract" or "the sweating system," while the employees of the sub-contracting coat-maker are invariably spoken of as being so employed?

Take, again, the cotton linings of our typical coat. These the tailor orders from Jones in London, who gets one hundred pieces at a time—say sateens—from Brown & Co. of Manchester, Brown & Co. getting these from Smith, a large merchant in that city. And how does Smith get the stuff? He goes to Doe & Co., and orders them to make him one hundred pieces of "grey cloth;" these manufacturers then probably order the necessary yarn from Roe Brothers, and, having got it, proceed to weave it. Smith, having now got his grey cloth proceeds to send it out to Dobsons, Limited, to be printed. Very possibly, Smith will also send the printed cotton out to Rawson to be "beetled." Smith then delivers the finished goods to Brown & Co., who sends up the sateens to Jones, who sends on his sateen to our tailor; whereupon the stuff goes out with the cloth to the "middleman" to be made up "under the sweating system." Does it not seem somewhat capricious to speak of the employees of this particular sub-contractor as being employed under a special and obnoxious "method" of industry absolutely distinct from the method under which the workpeople of the other sub-contractors in this chain are employed—*e.g.* the employees of Roe Brothers, and of Dobsons, Limited, and of Rawson? If "sub-contract" necessarily involves "sweating," why is it that no one would think of saying that the employees of Roe Brothers, and of the rest of these sub-contractors are employed "under the sweating system" or of alleging that these operatives are "sweated?"

To take one final concrete instance, why is it that, if Messrs. Maple in the Tottenham Court Road, buy a carpet from Messrs. Crossley at Halifax in order to sell it again, that

carpet is not said to be made "under the sweating system," while, if Messrs. Maple buy a stock side-board from a "garret-master," or, as he would correctly call himself, a "cabinet-maker to the trade" in Bethnal Green, that side-board is said to be made "under the sweating system?"

The more one examines the facts in regard to "the sweating system," the more difficult it becomes to believe that "the sweating system" as a system, *i.e.* a method of industrial organization, has any existence whatever.

"Sweating"—sweating of the most atrocious character—is widely prevalent. No one who possesses the slightest degree of acquaintance with British industry can deny that the conditions under which a large number of working-men and working-women exist are inhumanly oppressive. Overworked to the utmost limit of endurance, remunerated by wages just—and only just—sufficient to stave off starvation, these miserable people drag out, often in the most noisome and stifling dens, a life immeasurably inferior in point of comfort to that of negro slaves.

"Sweating" exists: but sweating is not coincident with any circumstances to which can properly be given the name of an industrial method. The attempt to classify these circumstances as a "system" is misleading. The employers, who sweat their hands, do not employ these hands under a peculiar method. All the same, certain circumstances do most powerfully make for sweating, and employers of a certain class are specially prone to exhibit in the treatment of their workpeople a well-defined form of oppression. What these circumstances are, we will proceed to consider.

Sweating may be taken to denote in particular three more or less distinct kinds of ill-treatment. A worker is sweated (1) if he is grossly underpaid, (2) if he is employed during unconscionably long hours, (3) if, whether the period of his employment be long or short, and even if his wages be not extremely low, he is compelled to tax his powers to an unreasonable extent. Now, as to under-payment, no one acquainted with the facts would ever suggest that there is much to choose between one class of employers and another. No doubt, unskilled and unorganized labour receives in many

cases from "sub-contractors" a very low rate of remuneration; but can anyone assert that the unskilled and unorganized operatives employed by large firms, directly, without the intervention of any "sub-contractor," are appreciably better off? It may be admitted that the operatives engaged in factories belonging to the wholesale houses are, in many industries, better treated than those employed by sub-contractors. But the reason of this is, not so much that large employers are especially humane, as that the work, which is reserved to be done in the factories, is relatively high-class work, which must be done by skilled hands, whom their masters would find it difficult to replace, and whom they therefore treat with politic consideration. Most of the inferior work is given out at very low prices to sub-contractors; but in many cases the very worst paid work of all—work which no sub-contractor can be found to take—is given out to out-workers employed directly by the wholesale firm, people whose earnings are the very lowest in the whole trade. Proof of the truth of this assertion is hardly to be looked for in the evidence before the Committee on the Sweating System, since the large employers enjoyed, as already observed, a fortunate immunity from investigation by that tribunal. But truth has a way of leaking out; and, accordingly, if we turn to that evidence, we find that in regard to the tailoring trade Miss Beatrice Potter, who has herself worked in some of the lowest sweating dens under "sub-contractors" told the Committee in relation to what she rightly calls "the very lowest layer of the coat trade":—

"That work is done by women and men at their homes; it really does not pay the contractor to take it out. That is the sort of coat that is done for 7*d* or 8*d*; it hardly pays the Jewish contractor to take that coat out, so that it is done to a great extent by Gentile women. That is the very lowest work; and that is what I meant by saying that sweating in its most intense form had nothing whatever to do with the contract system. In fact, the contract system is the top stratum, as it were, of the trade. It is taken straight from the wholesale houses. They earn the lowest wage in the coat trade."

In the Midlands, also, as proved by Mr. Hoare, a factory inspector, the lowest and worst paid work is, not that which the sub-contractors undertake, but that which is given out directly to out-workers by the wholesale houses. For instance,

a woman thus employed gets $6\frac{1}{2}d$ per pair for making moleskin trousers, finding her own machine, needles, and thread, this last item costing her $1\frac{1}{4}d$ per pair, and carrying from and to the warehouse bundles weighing twenty-four pounds each. "We have to walk five miles for each lot of work, and lately we have had to go nearly every day, and sometimes twice a day, and when we go, we often have to wait many hours before we can get any."

Apart altogether from the revelations made by this Enquiry, the manner in which eminent wholesale houses deal with their workpeople is, now and then, accidentally brought to the notice of the public. At an inquest held in Manchester it was proved that a very large firm (which has establishments in that and in three other towns) paid to its out-workers 10*d* per dozen for "making" (query, machining ?) shirts—shirts with a pocket and a narrow lining at the back. From a statement made not long ago by the Rev. Henry Williamson, president of the Dundee and District Mill and Factory Operatives' Union, in regard to a spinner thirty-two years of age, who had learnt the trade when nine years old, we find that

"She was making the magnificent sum of 6*s* 10*d* per week, and was supposed to live on 7*d* worth of bread a week, taking peasemeal for dinner every day, except when she varied the diet with a half-pennyworth of broth out of a coffee-house. When eggs were cheap she generally partook of an egg; an ounce of tea and a pound and a half of sugar had to last her a week."

The fact is that no one, who is acquainted with the rate of remuneration received by the less skilled among our wage-earners (such as scavengers, many minor classes of clerks in warehouses, and female operatives in many trades, especially women employed in sack-making, rope-making, shirt-making, &c.), will think of asserting that it is small employers of the class known as sub-contractors, who alone, or chiefly, are addicted to the payment of low wages.

As to long hours of employment, it is scarcely necessary to adduce instances of the cruel length of the tasks exacted from their workpeople by large employers, in all cases in which the *vis major* of the Factory Acts does not make such treatment impossible. The deplorably long hours during which many employers carrying on business upon a very extensive scale have been accustomed to employ men such as, for example,

omnibus* and tramcar drivers and conductors, railway servants, shop assistants, &c., is a fact too well-known to need detailed statement in this place. To contend that it is "sub-contractors," who alone, or chiefly, sweat their employees by over-working them, would be out of the question.

When we come to the third kind of ill-treatment above specified, that which consists in the exaction of an unreasonable degree of exertion—nigger-driving—then we do, indeed, discover that this important form of sweating is in a marked degree more prevalent among "sub-contractors" and other small masters than among large employers. In order to explain this, let us go back to our typical coat. If we were to watch the wool and the cotton from the bale onwards, we should find that the superintendence of the operatives employed in the different processes of manufacture is delegated to foremen, &c., few of whom are paid by results. But the remuneration of the sub-contractor, who gets the coat made up, is strictly proportionate to the intensity of exertion maintained by his workpeople, all of whom he keeps under his own close supervision. He may possibly employ a foreman on time-wage; but that is rare; and even so, he will trust little to the supervision of his foreman. In any event, the smaller the scale of his operations, the worse will be the conditions of employment; while, as Mr. Burnett said in his original Report on the Sweating System, "the larger workshops tend to approximate to the factory system." The reason is obvious. Given a team of workers, most of whom are very deficient in skill and devoid of habits of discipline, such as, for example, a gang of "greeners" (newly-arrived foreigners), the labour of these men can only be used, and can only be made to yield even the most meagre "wages of superintendence," if the superintendence exercised be of the most stringent character,

* It is worth noting that during the omnibus strike of June, 1891, it was made clear that the small omnibus proprietors treated their men much better, in the matter both of hours and of pay, than the big companies. See the facts stated by Mr. H. H. Champion in *Pall Mall Gazette*, June 4th and 12th, 1891. My own enquiries tend to prove the truth of Mr. Champion's statements. In the same way it was shown in the Dock Strike that the men employed by the small wharfingers were better off in every way than those employed by the two large companies managed by the Joint Docks Committee.

and such as it is practically impossible for the "sweater" to exercise over more than a very small number of subordinates. The large "sweater," on the other hand, whose employees will be seen to be engaged upon relatively high-class and well-paid work, can effectively supervise the labour of a numerous group of assistants, because these are, in this case, fairly skilled and less undisciplined workers. The very number of these operatives makes it impossible for their master to "drive" them by the same minute and incessant supervision which the small "sweater" bestows upon every member of his small gang; and, at the same time, the skill which they possess is so scarce, that their employer does not dare to risk the loss of their services by indulging too freely in any bullying practices.

To resume our concrete instances. The essential difference between the employer, who makes the carpets bought by Messrs. Maple for re-sale, and the employer, who makes the stock sideboards bought by Messrs. Maple for re-sale, lies in the fact that the carpet manufacturer is a large employer, who employs most of his hands under time-wage foremen, superintendents who have no special motive for "driving" their subordinates, while the "cabinet-maker to the trade" is a small employer who looks after all his hands himself, and whose remuneration depends mainly upon the degree of ability which he displays in getting sixpennyworth of work done for fourpence. This is the reason why the maker of these cabinets—although he is certainly not a sub-contractor—is often called by that name, and why this "garret-master" is invariably said to employ his men "under the sweating system."

The objectionable characteristics so often found in the sub-contractor have, it will be seen, but little connection with the "method of sub-contract;" they have, that is to say, very little to do with the fact that this "middleman" (unlike the "contractor" or "manufacturer") does not himself sell the goods which his workmen make. So, again, in regard to the tailoring trade, the conditions of employment are in every respect as oppressive in the workshops belonging to small retail shops as in those of the sub-contractors (the men who

take work to get it done for the wholesale firms). Thus, Miss Potter expressly declares that, "undoubtedly the worst paid work is made under the direction of East End retail slop-shops or for tallymen—a business from which contract, even in the equivocal form of wholesale trading, has been eliminated."* What is here said of the small tailors is equally true of a large number of other little shopkeepers manufacturing and selling directly to the public goods of a low class, and of other petty employers of all kinds. These little masters and mistresses, none of whom can by any conceivable straining of this very elastic term be said to work "under the sweating system," frequently sweat their hands to a deplorable extent.

The true inwardness of the offence laid at the door of the so-called "sub-contractor" consists in his being a small employer, and as such being remunerated by profit. This objection is identical with that taken to the method of piece-wage foremanship,† which any working-man will tell you is another form of "the sweating system." The gist of the whole matter is that the working-man, who complains of work being done under the "method" of sub-contract, complains because the work might be, and is not, done under a foreman or other superintendent remunerated by time-wage, and, for this reason, free from any strong incentive to bully the subordinate workers into over-exertion. The essence of the "method" of sub-contract is the supervision of labour by a person remunerated by piece-wage or profit.

Put in this way, the objection to work, which might be done under a time-wage foreman, being done under a small employer, must be deemed to be deserving of the most attentive consideration. That a man should do "a fair day's work for a fair day's wage," is right; but that he should be hustled into working at a speed incompatible with his reasonable comfort, and often with his health, is a grievous wrong.

Of course, the very valid objection which exists to "sub-contract" is not always put in this way. Sometimes the sub-

* *Labour and Life of the People*, p. 237.—"The tally-man takes orders direct from the actual wearer, and is paid for the garments in small instalments."—*Ibid.*, *n.*

† See *ante*, Chapter XII.

contractor is represented as an idle man, who makes a big profit "out of the labour" of his employees. But the sub-contractor is, in most cases, anything but an idle man. The large sub-contractor may do no work with his hands. All the same, unless we are prepared to maintain that no activity other than actual manual labour is worthy to be dignified with the name of "work," we must admit that the work of organizing the labour of operatives, many of whom are deficient in skill and in habits of discipline, is quite as hard work as any manual labour, especially when, as is so often the case with work done under sub-contractors, a minute sub-division of labour is practised. Nor, after the evidence which, since the commencement of the agitation against "the sweating system," has been produced both by witnesses before the Select Committee and by independent and impartial investigators, such as Mr. Charles Booth,* can it be contended that the profits made by most sub-contractors are out of proportion to the value of the services which they render. As Miss Potter told the Lords' Committee, "where a sweater makes a profit, it may be taken, as a general rule, that he pays his hands well. In the lowest class of work he makes, I consider, less money than his machinists and his pressers" (*Evidence*, Vol. II., p. 332). And this observation was confirmed by Mr. Burnett, who said: "In very many cases (and I have not the slightest doubt that it is absolutely true) the master-sweaters will tell you that they themselves receive less money at the end of the week than their own workers" (*Evidence*, Vol. I., p. 532).† These remarks relate to the tailoring trade; as to the gains of the sweating-masters in the boot-trade (who, in this case themselves performed the more difficult part of the work), I refer the reader to my paper in *Labour and Life of the People*, Vol. I.; adding that it is within my knowledge that, since the abolition of sub-contract in this trade, the ex-sweating-masters have earned in wages as

* *Labour and Life of the People;* see especially Vol. I.

† "The small so-called 'sweater' or 'garret-master,' who takes out a sub-contract at a low price, will often work harder than the ordinary workman and or a lower net income" (*Principles of Economics*, by Alfred Marshall, 2nd ed., p. 641).

ordinary workmen at a rate at least as high as when they were small employers, remunerated by profit. In some instances, indeed, the weekly earnings of sub-contractors, whose accounts I investigated in the course of my enquiry into the boot trade, were so extremely meagre that I could only explain their preferring the position of employer to that of employee by the fact that the work of the sub-contractor is less irregular than that of his subordinates, who are taken on or discharged according as he has work enough to employ a large or a small staff. Thus, a sub-contractor might receive less money at the end of the week than his assistants, but might earn more in the course of the year.

Although the gravamen of the charge against the sub-contractor is, not so much that he makes a big profit, as that he is an employer remunerated by profit instead of a foreman remunerated by time-wage, yet there can be no doubt that there are many cases in which it cannot be denied that the gains of the sub-contractor are simply the spoils of flagrant exploitation, no labour, or none at any rate useful and necessary, being performed in return for these ill-gotten profits. The sub-contractor in the docks, for example, may be admitted to have given to the dock directors full value in the shape of vigorous slave-driving for the money which he earned; but was so great and expensive an amount of slave-driving required? and can it be said that these cruel task-masters were fairly entitled to their earnings? So long as the companies encouraged, as was the case in certain docks, the employment of the scum of the labour-market, the slave-driving sub-contractor may have been a necessity. But that, given a set of men willing to do a fair day's work without any such oppressive supervision, the sub-contractor can, in some cases, advantageously be eliminated from the organization of industry, is proved by the success of the system of co-operative work in these same metropolitan docks described in detail in a preceding chapter (see pp. 92-95).

To what extent it may be practicable to abolish the method of piece-work, or payment by results, as applied to the remuneration of the leaders of industrial groups is a question, in regard to which it would savour of presumption to express

too dogmatic a conclusion. As has been shown, the essence of "the sweating system" consists in the stimulus given to the immediate superintendent of labour by making his earnings proportionate to the vigilance and severity of his supervision. If it were possible to replace every superintendent remunerated in this manner (whether small employer, sub-contractor, or piece-master) by a superintendent remunerated by time-wage or salary, irrespective of results, then we should have entirely done away with "the sweating system." The difficulties in the way of a change such as this are, undoubtedly, of a grave nature. If the remuneration of the superintendent of labour be made wholly independent of the results obtained by the efficiency of his supervision, then, as has already been pointed out, is it not probable that, in many cases, the work of superintendence will be done in a very inefficient manner? And is there not a type of working-man incapable of producing a reasonable amount of output except under supervision of a somewhat strict nature? Again, if you allow your time-wage foreman, who will no longer have a direct interest in giving preference to the most active and intelligent workmen, to select and discharge the subordinates, will he not exhibit an interested favouritism? And yet, are there not many instances in which, for practical reasons, it is necessary to leave the selection, and (to a great extent) the discharge, of the operatives to the foreman? Even in regard to work done on the premises no one is so capable of performing these duties with efficiency as the foremen; and in respect to an outlying job the difficulty of interfering with the discretion of a foreman in command of a group mainly composed of local workmen, engaged for the occasion, is almost insuperable. In any case, if the subordinate operatives are employed on piece-wage, will it not often occur that, when business is not at its briskest, those operatives only will obtain a full share of work who are willing to ingratiate themselves with the foreman?

It is clear that, although the foreman who is paid a salary irrespective of results is unlikely to be guilty of the cruel severity exhibited by the slave-driving piece-master or sub-contractor, yet the financial exploitation of the workmen may

be carried out, not only by the sub-contractor who pays starvation wages to his employees, or by the piece-master who insists on sixpennyworth of work being done for fourpence, but also, to some extent, by the time-wage foreman who exacts bribes from his subordinates;* and that the mere substitution of salary for profit or piece-wage as the remuneration of the superintendent of labour will not of itself suffice to procure the complete abolition of all those grave industrial evils which we associate with the name of "the sweating system." It is, none the less, indisputable that many cases exist in which the replacement of the sub-contractor and of the piece-master by the time-wage foreman is highly desirable, and ought to be promoted by every legitimate means. At the same time, it may reasonably be expected that, as combination and association extend their influence, all persons who exercise supervision over the performance of labour, whether they be foremen or employers, and whether remunerated by salary, by piece-wage, or by profit, will to an ever-increasing extent find their action regulated in the interests of the subordinate workers by either of the two great sister forms of democratic control—Trade Unionism and Co-operation.

* To how great an extent the bribery of time-wage foremen prevails, it is not easy to say. In the East London tailoring trade the "taker-in," who is employed by the manufacturer to give the work out, is allowed to exercise an absolute discretion as to which sub-contractors shall be employed, and is often —I know—bribed by men anxious to secure the work. Journeymen in the West-end declare that the cutters of the master tailors receive similar propitiation; and like allegations are made in regard to foremen in charge of building jobs.

CHAPTER XV.

ON THE INTERFERENCE OF PUBLIC AUTHORITIES IN REGARD TO "SUB-CONTRACT."

THE question raised in the preceding chapter in regard to the validity of the objections raised to "the method of sub-contract," that is to say, to the practice adopted by large employers of giving some of their work to subordinate employers, is one of special interest at the present moment; because a strenuous effort is being made on the part of a large section of the working-classes to induce the Government and public bodies throughout the country to forbid this practice. It may be useful to consider how far public authorities can properly concede this demand for "the abolition of sub-contract."

It must be admitted that the outcry against sub-contract is, in some instances, a mere subterfuge concealing objects other than its professed aim—the suppression of sweating. For example, the Committee of the Imperial Institute were not long ago requested by the Stonemason's Society to prevent the contractors for the building from "sub-letting part of the stone-work." It appeared that they had been using stone ready worked at the quarry in Derbyshire. It is, of course, not only cheaper to get stone worked by men in the country, whose full, accepted rate of wage is $6\frac{3}{4}d$ per hour, rather than by men in London at $9d$ per hour, but also preferable; because the stone is softer and easier to work when freshly quarried than later; and also because the worked stone costs less for carriage than the rough, all superfluous parts having been removed before it is put on to the railway truck. And, again, if there is a flaw in the stone,

per rod or per yard). As has already been pointed out, a man in this position is not a sub-contractor, because the journeymen working under this man are nominally employed, not by him, but by his employers; though, as a fact, when a foreman is employed on the terms just described, the selection and the discharge of the journeymen are usually left entirely in his hands. So far as the position of the workmen is concerned, it is obvious that nothing whatever is gained by the substitution of this arrangement for ordinary sub-contract.* For, as has already been remarked, the piece-working foreman has just as great an interest in "driving" the journeymen, as if he were a sub-contractor; and, as a matter of experience, it is found that such foremen frequently hustle and bully their subordinates in an unjustifiable manner. All the same, against this practice of piece-wage foremanship the common clause forbidding sub-contract provides no remedy.†

* In this connection it may be of interest to cite an incident investigated by the present writer, in which, after a public body had, at the instigation of the Trade Unions, forbidden their contractors to continue sub-letting certain work on a large job, the work was at once given out to a foreman—a man previously employed by these contractors on other jobs as a sub-contractor. This foreman took over the work (apart from the provision of the principal materials) as contract work, his remuneration consisting in the difference between the total time-wages of the journeymen employed in executing the work and a certain agreed labour-cost at which he undertook to get it done, being in fact the very same price at which the dismissed sub-contractor had previously got the work done. This man's interest in getting his subordinates to work quickly was, of course, precisely the same as that of his predecessor; and he "shoved the men along" in identically the same manner, with the result that they went out on strike. These workmen suspected, but, naturally, were unable to prove the existence of this arrangement, which the contractors vaunted to me as a clever stroke of business. I have known other cases in which foremen have, by private arrangement with the contractors, been paid by the piece in the manner above described, the treatment of the employees of these contractors being, under these circumstances, in all respects similar to that which they would have experienced at the hands of a sub-contractor.

† The "New Contract of H.M.'s Office of Works for Works and Repairs in the London District" (House of Commons' Reports, 1891, No. 109) provides that "The contractor shall not assign or underlet his contract or any part thereof without the consent of the Commissioners being first obtained, and shall not, without like consent, make any sub-contract or sub-contracts for the execution of the works or any part or parts thereof, or *employ any Taskmen in, upon, or about the works or repairs.*" The words in italics appear to cover the employ-

The conclusion of the whole matter seems to be, that what is desirable is not so much to put a stop to sub-contracting as to put a stop to "sweating," whether the man who treats the workman in the oppressive manner, which this word, "sweating," denotes, be a sub-contractor, a piece-master, or a contractor. To believe that if we have forbidden sub-contract; then we have done the one and only thing needful, is absurd. In some cases sub-contract is perfectly legitimate. But in all cases alike "sweating" ought to be put down with a strong hand.*

ment of men under piece-wage foremen ("piece-masters"); possibly also the case described *ante*, pp. 98, 99.

* The London School Board has resolved "That the Board shall, from time to time, investigate any charges of sweating which may be brought forward upon the responsibility of any member of the Board, against any person or firm tendering for any contract with the Board, and that, in the event of such charges being established, such contract shall be refused to any such person or firm, upon the ground that the Board declines to encourage in any way the system of sweating." (Board Minutes, May 16th, 1889; Vol. XXX., p. 1,237.)

CHAPTER XVI.

ON THE RELATION BETWEEN CO-OPERATION AND TRADE UNIONISM, SO FAR AS CONCERNS THE METHOD OF INDUSTRIAL REMUNERATION.

That the position of the working-man under the existing wage-system is one which in many important respects leaves much to be desired, few of us will feel inclined to deny. The two great movements which have been initiated among the working-classes with the view of improving their position, are the Trade Union Movement and the Co-operative Movement. But with Trade Unionism the limits of my subject prevent me from dealing in these pages. This is a point which it is desired to bring out with clearness; because, in default of explanation, the absence of any treatment of Trade Unionism might be misunderstood.

The subject of this book is the method (as distinguished from the other elements, *e.g.* the amount) of industrial remuneration. Now, in regard to the method of industrial remuneration Trade Unionism does not propose to make any change whatever in the arrangements at present prevailing. Co-operation, on the other hand, embraces in its various forms all the attempts which have been made with the view of superseding, wholly or partially, the existing wage-system by novel methods of industry. Co-operation, therefore, it will be our duty to discuss with all necessary fulness of detail. But, by way of preface to the chapters which will treat of Co-operation, a few remarks are now offered upon the relation between Trade Unionism and Co-operation.

So far as concerns the remuneration and the organization of industry, the leading ideas of Co-operation are (*A*) that each

group of workers is to be associated by their own free choice, (*B*) that these associates shall work under a leader elected and removable by themselves, and (*C*) that the collective remuneration of the labour performed by the group shall be divided among all its members (including this leader) in such a manner as shall be arranged upon principles recognised as equitable by the associates themselves. Of these three leading ideas the first two will be found partially, the third entirely, coincident with the essential elements of Trade Unionism.

(*A*) The idea of the voluntary association of the members of each group involves two points; (1) that no man shall be obliged to enter any group except of his own free will, and (2) that no group shall be obliged to accept as a member any man with whom the other members of the group object to work. (1) As to the first point, Trade Unionism and Co-operation are absolutely identical in aim. It is obvious that in all cases, in which the number of applicants for work is not considerably in excess of the number of persons for whom work can be provided, the determination of the question whether a given man shall, or shall not, seek a place within a given group of workers, rests with this man himself. The trade union ideal undoubtedly is so to diminish the number of the unemployed that, "instead of one man running after two masters, two masters shall run after one man." If this ideal is attained, it is clear that no man will be forced into entering a workshop against his will. (2) With regard to the second point, the aim of Trade Unionism, in nearly all trades, ever since trade union combination first came into existence, has been to obtain for the workers the power of rejecting, as associates, persons who, on one ground or another, may be considered to be ineligible as fellow-workers.* While each Trade Union exercises the right to exclude from its ranks any persons whom it may consider undesirable as associates, the Trade Unions usually do their best to prevent their members from being compelled to work in the same shop with non-unionists.† In some trades the

* Thus employers have not infrequently been compelled by trade combination to abstain from employing female labour.

† Even if a man belong to the Trade Union, yet, if he fail to comply with the

members of the Trade Unions decline to admit into the Society any person who has not served a regular apprenticeship; while in many industries the Trade Union forbids the employer to take learners except on condition that the ratio of boys to adults shall not exceed a specified proportion. With the question of the rightness or the wrongness of such action on the part of the Trade Unions we have nothing to do on this occasion. What we have to note, is that, for all practical purposes, the men employed in a factory, over which the Trade Union has a good hold, possess to a large extent that power of rejecting as fellow-workers persons who appear to them to be undesirable companions,* which they would possess if the voluntary association of co-workers involved in the ideal co-operative method had been adopted *eo nomine* in regard to the organization of their labour.

(*B*) With respect to that other principal object of Co-operation, the control by the workers of the leading man under whom they are to work, it should be recognised that this object is, in a great measure, attained by the action of Trade Unionism, in all cases in which trade combination is sufficiently vigorous and effective. This result may be achieved in either of two ways. Either the foremen, overlookers, &c., may themselves be brought within the authority of the Trade Union, as is already the case in some trades, and as may hereafter, if Trade Unionism increases its influence, be more and more frequently the case ;† or the Trade Union may, as it

regulations of the Union, and if the Union is a powerful organization, the employer will find himself unable to compel his workmen to accept the offender as an associate. Thus we read:—"The masons' strike at Sheffield was settled yesterday. It originated through Messrs. Longden and Son, a well-known local firm, refusing to discharge a man who was in arrear with his subscriptions to the local Union. All the other men engaged upon the contracts of the firm thereupon struck. Messrs. Longden yesterday discharged the defaulting member of the Union, and shortly afterwards he paid up his arrears of subscriptions. The men resume work this morning."—(*Daily Chronicle*, June 17th, 1891.)

* In some instances the exclusion of particular classes of workmen is directed against those who have worked in a particular workshop. Thus I am informed on good authority that, in a boiler-making establishment in which the Trade Union is strong, it is impossible to introduce a man who has learnt his trade in a particular factory in Manchester.

† Note, for example, the attempt made by the London dockers to compel the

does in some trades in which the combinations of the workers are thoroughly efficient (*e.g.* in the cotton-spinning industry), compel the employers to reprimand, and, if necessary, to discharge any foreman, overlooker, &c., found guilty of ill-treating the subordinates. With regard to the control exercised by or on behalf of each industrial group over its supreme chief, the fact, that the Trade Unions aim at, and, to a considerable extent, even now succeed in preventing the employer from being to more than a certain inevitable extent "master in his own workshops," is too well known to require proof. This object of Trade Unionism may be carried out in either of two ways, by the direct operation of the men's combination, or by the use of the political power possessed by its members. As an illustration of the former class we may take the case of Strike No. 212 in the Board of Trade *Report on the Strikes and Lock-outs* of 1888: here the employers tried to introduce a new lamp: the miners objected, and, being a strong body, compelled the company to accept a modified lamp, of a form approved of by the men (pp. 51 and 89).* An example of the manner, in which legislation promoted by trade unionists restricts the liberty of the employer, is afforded by the recent Act regulating the amount of moisture to be allowed in cotton-weaving sheds. It is not suggested that anything like the desired amount of control over employers, foremen, &c., has as yet been obtained for the workers by the power of trade combination. All that it is intended to point out is, that this principal object of Co-operation is aimed at by the essential principles of Trade Unionism; while, that in cases in which the Union is strong, it is practically possible for this object to be achieved by Trade Unionism, almost as fully as by Co-operation, no one

foremen to join their Union, and that made in Australia to federate the officers of vessels with the organizations of the ordinary seamen.

* In cases in which strong Trade Unions exist, even so important a question as what work shall be done by a particular set of men is one which the workmen do not permit their employer to decide; thus we have recently seen strikes in shipbuilding yards, the dispute being in two cases between shipjoiners and carpenters, and in another between fitters and plumbers, their employers being obliged to allow the men to settle for themselves what work each class should do.

with any experience of the power exercised by an efficient trade union organization will deny.

(*C*) We come now to the third of the objects which Co-operation has in view—the apportionment between all the members of an industrial group of the wealth in the creation of which their joint labour is engaged, the share allotted to each member being fixed by the group in the interests of the group. This aim of Co-operation is at the same time the aim of Trade Unionism. But in regard to the means by which this aim is to be attained the co-operators differ widely from the trade unionists.

The identity of the objects aimed at by Trade Unionism and by Co-operation, though formerly often ignored by both parties, is now plainly recognised by the co-operators; as is shown by the remark made in the Report for 1891 of the Co-operative Aid Association, "The trade union movement is a branch of the co-operative movement. It substitutes collective control for despotic management, and it shares out in the shape of wages among its members what without it would go as profits to the employers." But the identity of the aims of Co-operation and Trade Unionism and their divergence as to means will best be illustrated by concrete examples of the action of each of these movements.

The co-operative system in force in the printing trade under the name of "working in pocket," has been described in a previous chapter (*ante*, p. 91). But the object of the co-operative method—the division in equitable proportions of the remuneration of joint labour—has been so completely attained by the rival movement—Trade Unionism—that "working in pocket" is becoming rapidly extinct, while, on the other hand, in cases, in which the trade union rules are in force, the non-co-operative method of sub-contract—"farming" —is (as has been already stated, *ante*, p. 118) found to promote perfect harmony in the relations between the head of the group of compositors and his subordinates, the operation of the trade union regulations ensuring the division upon fair terms between principal and subordinates of the sum received as the collective remuneration of the group.

The distinction between the co-operative method and this

system of "farming" is an important one. Under the method of Co-operation the equitable division of the lump sum paid for the work is secured by apportioning it in specified fractions among all the members of the group, including the leader. But under the non-co-operative method the remuneration of each of the subordinate workers is, not a share in this lump sum, but a fixed wage, while the remuneration of the leader—the employer—is the balance which remains after deducting the total amount of the wages of the subordinates. Under the co-operative method each and every member of the group working "in pocket" has to take part in the labour of making the calculations necessary to be made before a job is accepted, and stands a chance of losing by the job, if by an error the job is taken at too low a price. Under the trade union plan, the duty of settling at what price a job shall be undertaken is left to the principal member of the group—the "farmer"—to whom, as has been said, to the exclusion of the subordinates, the entire "profit on the job" is allotted as the piece-work remuneration of the labour performed by him, including his labour as manager and *entrepreneur*. Trade Unionism thus accepts the ordinary wage-system; and, while it attempts to regulate profit in the interests of the workers, yet leaves all profit to the *entrepreneur*, the subordinate workers being entirely excluded from participation in profit, and their remuneration consisting entirely of wages.

Another illustration of the distinction between the rival agencies of Co-operation and Trade Unionism may be given by comparing the co-operative system recently introduced in relation to the discharge of vessels in the metropolitan docks described in detail above (*ante*, pp. 92-95) with the trade union system which has for a long time been in force in relation to the work of loading vessels. The London "stevedores" (as the men, who load vessels, are called in contradistinction to the "dockers," who discharge vessels) had, long before the Dock Strike, formed two strong Trade Unions, now combined. With comparatively few exceptions, all the London stevedores, including the foremen, belong to the Trade Union, by which the relations

between the stevedores and their employers (the master stevedores) are effectually regulated in accordance with the rules of the Union—rules which specify the wages to be paid, the intervals to be allowed for meals, and so on. If in any given case fewer men are taken on than are fairly required for the job, the matter is at once dealt with by the Trade Union. If a foreman does not give all the men a fairly equal chance of employment, the trade union committee may punish him by suspension. If an employer keep his men waiting for their money five minutes after it is due, he has to pay them for another hour. (See the Evidence before the Sweating System Committee, Vol. II., pp. 144, 145.)* Contract foremanship is forbidden by the Unions, the foreman being paid a time-wage higher by only one shilling a day (say, seventeen per cent.) than that of the subordinate workers (*ib.*, 241-244). The enforcement by the Trade Unions of the regulations just stated has effected a vast improvement in the position of the stevedores, who, before their Unions existed, were underpaid and ill-treated much in the same manner as the dock-labourers were before their strike, but who now—I refer to the men who are members of the Trade Union—are a contented and fairly prosperous body.

The point, which comes out clearly from the facts just narrated, is that all those facilities for regulating the earnings of management, and very nearly as great facilities for controlling the conduct of the manager, as are afforded by the co-operative method in force among the dockers, are supplied by the trade union plan in force among these stevedores. Accordingly, when Mr. Tillett, the secretary of the Docker's Union, was asked before the Sweating System Committee whether the stevedores worked "under the co-operative system," he with perfect accuracy replied, "they practically have the power in their hands, although it is given out to a contractor" (*i.e.* a master stevedore). (*Evidence*, Vol. II., p. 144.) At the same time, while both the trade union and the co-operative plans aim at getting the power into the hands

* See also the evidence given before the Labour Commission on July 3rd, 1891, by Mr. J. Donovan; on July 15th, 1891, by Mr. R. Cridge; and on July 31st, 1891, by Mr. S. Sims.

of the workers, they differ in this, that, while under the system of co-operative piecework the remuneration of the leading man is either a specified fraction of the joint earnings or a specified time-wage, together with, in some cases, a specified share in the "profit on the job," the master stevedore is allowed to keep for himself the whole of the profits, subject only to the obligation of paying the trade union rate of wages.

Any attempt fully to elucidate the manner in which Trade Unionism attains its objects in respect to regulating the conduct and the earnings of leading men or employers, would demand more space than can be conceded here. But, if a few words in illustration of the completeness with which, where the Unions are strong, this regulation is carried out, may be allowed, I would instance the coal and iron industries, in which, by agreements freely entered into between employers and employed, the participation of the employees in the advantage of profitable trade is secured by the delicate, self-acting machinery of the sliding-scale; and the cotton-spinning industry, in which, whenever the manufacturers have "a good margin," the action (in most cases entirely pacific) of the Trade Union obtains for the workers a corresponding rise in wages. In regard to the cotton-spinning industry the success attained in the regulation of the employers' profits and in securing that the workers shall—as Mr. Benjamin Jones put it in his presidential address at the Ipswich Co-operative Congress—"receive in wages a full share of the products of the joint exertions of labour and capital"* have been very remarkable. The steady pressure exercised by the Trade Unions has obtained for the operatives the highest wages that the trade will bear, while the average remuneration received by capital, during the last thirteen or fourteen years appears to have been only about four per cent. at the outside; some authorities putting it at less than four per cent.† At the same time the "wages of management" have been brought down to a very

* *Report of Co-operative Congress*, 1889, p. 21.

† See the facts collected in Bradlaugh's *Labour and Law*, pp. 47-49. See also the evidence given before the Labour Commission on July 10th, 1891, by Mr. Albert Simpson, who produced "the last Oldham list which gives the results and values of the whole of the mills in Oldham—110 mills," showing

low level—a fact which is noticed by Miss Potter, who in her recent valuable work on *The Co-operative Movement in Great Britain* remarks in regard to the "Lancashire Limiteds," that the very much larger salaries formerly given, "the £2,000 to £5,000 a year, have been replaced by modest incomes of £200 to £400, and apparently without detriment to skill or integrity" (p. 132). In the cotton trade we undoubtedly possess an example of an industry in which that principal object of the co-operative movement, the regulation of the shares in which "the products of the joint exertions of labour and capital" shall be divided, has been, in a very large measure, obtained; and that without any such revolution in respect to the method of industrial remuneration as is proposed by the advocates of Co-operation.

The reasons, which make it proper to exclude from a work dealing with the method of industrial remuneration any detailed consideration of Trade Unionism will now be obvious. Trade Unionism accepts the ordinary methods of industrial remuneration as it finds them, and tries to make the best of them. Co-operation, with more ambitious aim, proposes to supplant the wage-system, wholly or partially, by certain novel methods, the nature of which will be examined in the succeeding chapters.

that the shares of 67 were at a discount. Speaking of the earnings of the cotton mills during the last ten years, Mr. Simpson said—"If they were all averaged up, fairly averaged, that even upon their own showing they would not reach 5 per cent., but if they were calculated on what I hold is a fair basis, they would not reach 2 per cent." Compare the evidence to the same effect given on July 24th, 1891, by Mr. W. A. Russell; and that given by Mr. George Silk, president of the Amalgamated Society of Card and Blowing Room Operatives, on June 26th, 1891: "We look at the general profit that the trade is making; we know the price cotton can be bought at; we know the price that yarn is sold at every day; we know exactly the margin; we know to the hundredth part of a penny what it costs in stores; the fixed stock is public property; we know what a sensible and reasonable depreciation is upon the same; and we know that *after we have got our wages out of it and we leave the balance to the employer, he has nothing to make a great noise about.*"

CHAPTER XVII.

THE TWO KINDS OF CO-OPERATION.

THE modifications, which Co-operation proposes to introduce into the method of industrial organization and remuneration, have been stated in the beginning of the preceding chapter (*ante*, pp. 141, 142). Co-operation contemplates that the operations of industry shall be carried on by groups voluntarily associated, and working under managers elected by the members of the respective groups, each of these groups dividing between its own members the entire profits realized. Under the co-operative methods the control of the employed by the employer is to be entirely abolished; the "self-employed" workers are no longer to be "wage-slaves"; profits are to be substituted for wages as the remuneration of labour.

The proposals just explained are those made by Co-operation in its perfect form. But, in addition to the perfect type, there exists a partially co-operative ideal, according to which the solution of the Labour Problem is to be sought in the adoption of a method known by the name of "Profit-sharing," or by that of "Industrial Partnership."* Under the method of Profit-sharing no attempt is made to secure for the workers the control of the business; the power of the employer is to remain paramount; but he is to give to his employees, in addition to their wages, and as the further remuneration of the labour performed by them, a share in his profits.

* Within the last year or two an attempt has, on several occasions, been made to introduce a distinction between Profit-sharing and Industrial Partnership, terms hitherto used by all economists as synonymous. It would appear that the cases, to which it is desired to apply the term "Industrial Partner-

Leaving the justification of the distinction, which I am about to draw, to future chapters, I wish to direct attention to the diverse characteristics of the perfect, and the partial, types of the co-operative ideal. The perfect type—Industrial Co-operation—is essentially a working-class ideal. To put the matter briefly, the main ideas underlying Industrial Co-operation are (1) that the employer is an unnecessary encumbrance; (2) that control ought to rest with the workers; (3) that the receipt of wages is inconsistent with the dignity of labour; (4) that the exclusion of the workers from participation in profits is a flagrant injustice, and (5) that, if the workers can get into their own hands the profits of the business, their financial position will be quite enormously improved. Industrial Co-operation proposes that the working-classes shall seek salvation by eliminating from commerce and manufacture the interference of the superfluous middle-classes.* Profit-sharing, on the other hand, is a device adopted by middle-class employers—men who have not the smallest intention of ceding the government of their business into the hands of their employees, and who entertain the firm conviction that the class to which they belong is anything but superfluous—mainly because these employers consider that the prosperity of the undertakings which they manage will be promoted by allowing their employees to participate in their profits. So much as to the distinction between the ideal of Profit-sharing and the ideal of Industrial Co-operation. To turn now from theory to practice, we shall find that

ship," are those in which a profit-sharing firm makes special arrangements with the object of enabling the workers to own part of the capital. Industrial Partnership would thus be Profit-sharing *plus* Stock-holding, the employees sharing in profits both as workers and as share-holders. This is a distinction which does not affect the method of industrial remuneration, and which it does not seem necessary to adopt in these pages. Several of the limited companies practising Profit-sharing (*e.g.* Cassells, Hazell, Watson & Viney, Clarke, Nickolls & Coombs, Wm. Thomson & Sons, Sampson, Low & Marston, South Metropolitan Gas Co., and Raithby, Lawrence & Co.) have made arrangements of the character above referred to.

* Compare *History of Co-operation*, by G. J. Holyoake, Vol. II., p. 83. "What Co-operation proposes is that workmen should combine to manufacture and arrange to distribute profits among themselves, and among all *of their own order* whom they employ."

Industrial Co-operation is, for the most part, carried on upon lines diametrically opposed to the theory of Co-operation, the actual workers being altogether excluded from all share in the profits, and the control of the concern being in the hands of outside capitalists. With regard to the comparatively insignificant exceptions—the co-operative associations by which Profit-sharing is practised—if we compare a society of this type with an ordinary profit-sharing firm, we shall see that the real distinction between the two is that the owners of the capital belong, in the one case, to the middle-classes, and, in the other, to the working-classes. Thus, whether from the point of view of theory, or from the point of view of practice, the line of demarcation which separates Profit-sharing from Industrial Co-operation is a social line.

CHAPTER XVIII.

WHAT IS MEANT BY PROFIT-SHARING?

BEFORE we commence our examination of the peculiar method of industrial remuneration known as "Profit-sharing," it will be necessary, for the sake of clearness, to advert to certain cases sometimes erroneously alluded to as cases of "Profit-sharing." The first of these is the case in which an employee receives a share in the profits of a joint-stock business by reason of the fact that he happens to own a part of its capital. That the receipt of dividend by an employee who holds shares does not give that business the slightest claim to be considered co-operative, is the opinion of all who have dealt with this subject.* Profit-sharing is a method of industrial remuneration (*i.e.* a system of paying for labour); but the dividend received by a share-holding employee is received, not as the remuneration of his labour, but in right of his capital.

Another case, which must not be confounded with Profit-sharing, occurs when the employee receives an addition to his ordinary wages which is indeed received in partial remuneration of his labour, but which is not a fraction of the realized profits, but an extra-ordinary wage, or *sur-salaire*. This extra-wage may be proportionate to the amount of work performed, or not.

The distinction between the receipt of an extra-wage proportionate to the efficiency of a man's labour and participation in profits is obvious; and it is somewhat surprising that the two things should be confounded. However, such confusion has repeatedly taken place;† cases of progressive wages, especially cases of what is here called "collective

* See especially Thornton, *On Labour*, p. 360; and Holyoake, *History of Co-operation*, Volume II., p. 82.

† See *post*, p. 167.

Gainsharing" (see *ante*, pp. 69-81), are constantly mistaken for cases of Profit-sharing; and it is, therefore, necessary to point out that, what distinguishes all these cases of progressive wages from cases of true Profit-sharing, is that in all cases of progressive wages the bonus is a premium upon efficiency of production, the amount of which is the same, whether the profits of the business are high or low; while in all cases of Profit-sharing the amount of the bonus receivable by the employee varies directly with the rate of profit earned by the concern.

Coming now to those additions to ordinary wages, the amount of which is independent of the efficiency of the labour performed, we find very numerous instances in which employers confer upon their workpeople benefits extraneous to the wage-contract. Thus Messrs. Tangyes, Limited, engineers, present their employees with a bond for £50, entitling the workman to receive interest at five per cent. at the end of the year, his family or representatives receiving the principal sum should he die within the year. Formerly, these bonds provided that the holder should receive interest "at the same rate per cent. per annum as the rate per cent. per annum declared by the Company on their ordinary share capital for the year." In those days these workmen were certainly employed under the method of Profit-sharing; but the benefits which accrue under the bonds in their present form, can, obviously, not be regarded as a share in profits; but are, in fact, in the nature of extra-wage.

In the same category with this system of deferred wages practised by Messrs. Tangyes stand a large number of schemes for the advantage of employees, such as Provident and Pension Funds, to which the employers subscribe fixed amounts, irrespective of the rate of profit earned by the business. It is the custom on the part of a very considerable number of British employers, without any previous undertaking so to do, to devote, year after year, out of monies otherwise available for division as profits, sums, frequently of large amount, to various purposes for the benefit of their employees. In many other instances, again, the generosity of British employers has shown itself in the expenditure, at one

time or another, of large lump sums for the purpose of providing various substantial advantages for their employees. Do cases, of either of these two classes, properly come within the meaning of Profit-sharing?

By nearly all the Continental and American exponents of Profit-sharing this term is used to include any and every case in which employees receive, in addition to their ordinary wages, any sort of advantage provided by their employers. Mr. Carroll D. Wright, the United States Commissioner of Labour, declares that "the term Profit-sharing may be applied to any arrangement whereby labour is rewarded in addition to its wages, or in lieu of wages, by participation in the profits of the business in which it is employed. Benefits of various kinds, as insurance, schools, libraries, and beautiful surroundings, so far as maintained by employers out of their profits, and enjoyed by employees as an addition to what their wages would purchase, would have to be regarded, in a strict analysis, as an indirect form of Profit-sharing." (*Seventeenth Annual Report of the Massachusetts Labour Bureau*, p. 157.) After quoting these remarks, Mr. J. Lowry Whittle, in his Report to the Board of Trade on Profit-sharing (p. 24), correctly observes that "in this sense there are few large employers of labour in this country who might not claim a place in profit-sharing lists." The attention of any non-British reader, who may honour these pages with his perusal, is called to the fact that, if we are to adopt the same wide definition of Profit-sharing as has been adopted by non-British authors, then this Empire can claim to practise this method to an extent vastly greater than that indicated in the meagre notices of British Profit-sharing to be found in existing treatises on this subject. Comment is frequently made abroad upon the absence in this Empire of all forms of *institutions patronales*, or, as the Germans put it, of "patriarchal relations between employers and employed." Certainly, the British workman would resent being patronised, and does not look upon his employer quite in the light of a benevolent elderly relation. All the same, large sums are every year freely given by employers to, or for the benefit of, their employees.* As illustrations of liberality

* See an instance in *Profit-sharing Precedents*, by H. G. Rawson, pp. 91-99.

of this character, it has seemed worth while to give in Appendices B and C full details in relation to two typical cases, which may, perhaps, be of service to employers who may desire to introduce similar schemes in regard to their own undertakings.

Now comes the question, in regard to all these instances of the enjoyment by employees of "net advantages" apart from, and in addition to, their ordinary wages, which, if any, of these cases can we legitimately include within the meaning of Profit-sharing?

Let us take, first, those cases in which the benefits conferred by the employer are benefits, the value of which is fixed by a legal contract, *e.g.* if he have agreed to contribute regular amounts to a Pension Fund. Here, since these amounts are not a fraction of the profits earned, but a charge upon the gross revenue of the concern, in priority to profits, we have an arrangement clearly not within the meaning of Profit-sharing.

But suppose, now, that the amount given by the employer is a voluntary gift, the value of which is in no way fixed beforehand; *e.g.* if the shareholders in a company (as is the case with a good many British joint-stock enterprises) are in the habit of annually voting a sum of money as a contribution to a Provident Fund, but are under no obligation so to do, and may, therefore, give as much or as little as they like, or nothing at all. Is this Profit-sharing?

That the practice of paying, what has been termed "Indeterminate Bonus," is closely allied to Profit-sharing, properly so called, is obvious; for the benefits conferred are paid for out of profits. And by many writers the fact, that the amount of these benefits is not fixed beforehand by an arrangement as to what share in profits shall be allotted to the employees, is not considered to create a bar to the inclusion of cases of Indeterminate Bonus within the meaning of Profit-sharing. On the other hand, Heinrich Frommer, a German economist, who has written a valuable treatise on this subject (*Die Gewinnbetheiligung*, Leipzig, Duncker and Humblot, 1886), has forcibly urged that the only cases, which can properly be called cases of Profit-sharing, are those in which (*a*) the total

amount divided among the employees is a share in profits fixed beforehand, and (*b*) the proportions, in which this total amount is to be divided between the participating employees, are similarly settled by previous arrangement. The views laid down by Frommer are supported by the very high authority of the International Congress on Profit-sharing held at Paris in 1889. This Congress, which was of a thoroughly representative character, including, as it did, the principal advocates of Profit-sharing and employers practising this method, by a resolution arrived at without a single dissentient voice, defined Profit-sharing to be *la convention librement consentie, par laquelle l'ouvrier ou l'employé reçoit une part de bénéfices déterminée d'avance*,* thus declaring with precision that the term "Profit-sharing" can properly be applied to those cases only in which the share of the employee is fixed beforehand by previous arrangement between employer and employed.

Arrangements of the class known as Indeterminate Bonus-giving possess undoubted importance. That arrangements of this nature would meet with a very wide acceptance in this country is, perhaps, improbable. The independent British workman is likely to object to a "system" under which his remuneration is to consist, in part, of a gratuity varying in amount according to the mere caprice of his employer. All the same, this practice of giving gratuities deserves notice, because its adoption has in so many instances been the precursor of the introduction of Determinate Profit-sharing. But it is the latter system alone to which in these pages the designation "Profit-sharing" will be applied. To call the practice of giving gratuities out of profits (an employer cannot, of course, pay his men's Christmas-boxes out of losses) by the name of Profit-sharing, and thus to include this very common and by no means novel practice in the same term by which we denote a peculiar and highly novel system—the system under which the employee participates on a definite basis in the profits of his employer—would be to introduce into the language of economic science a dangerous degree of looseness. Profit-sharing contemplates a contractual agreement between

* *Compte Rendu in extenso des séances*, p. 186 (Paris, Chaix, 1890).

employer and employee; but in Bonus-giving the amount of the bonus receivable is determined by the employer at his sole discretion at the end of the year, or otherwise after the labour, in respect of which the bonus is paid, has been performed. It is obvious that a bonus of this indeterminate character cannot constitute the basis of a contract. If A agrees with B that, in consideration of labour to be performed by B, A shall pay to B what A chooses, this is merely a vague and valueless assertion that A will give to B a voluntary present, which may be one farthing, if A is in a stingy, or one sovereign, if he happens to feel in a liberal, mood. Bonus-giving, in short, is too unsystematic in its nature to justify us in elevating this practice to the dignity of an industrial method.

For the reasons just stated the term Profit-sharing will in the succeeding chapters be confined to those cases only in which (*a*) the total amount of bonus divided among the employees is fixed independently of the free favour of the employer exercised after the work is done, and (*b*) the basis of the division of this amount among the employees is similarly predetermined. Thus, Profit-sharing may properly be defined as an arrangement under which an employer agrees with his employees that they shall receive, in partial remuneration of their labour, and in addition to their ordinary wages, a share, fixed beforehand, in the profits of his business.*

* I am not aware that any of the exponents of Profit-sharing have laid down a rule as to the extent to which participation must be carried in order to constitute Profit-sharing; whether, for example, the admission of ten per cent. of the employees to participation is sufficient. It must be observed that, if a small number of workmen in a large body are alone admitted to share in profits, this arrangement creates a tendency on the part of these favoured individuals to exercise a rigid supervision over the work of the non-participating employees, and may give rise to great friction.

CHAPTER XIX.

PRODUCT-SHARING.

With a view to presenting, in as lucid a manner as possible, the special features which characterise the co-operative method of Profit-sharing, it may be well briefly to contrast this method with a system of industrial remuneration possessing certain points of resemblance—the system known as Product-sharing.

One of the cases of Product-sharing most commonly referred to is that which exists in agriculture under what is known as the *métayer* system. The landlord supplies the land and buildings, and often also some or all of the stock, seed and implements required, receiving in return an agreed proportion of the crops and other products of the farm, the balance, of course, being the property of the tenant. But this plan of "farming on shares" does not involve the existence between the two parties to the contract of any such relations as exist between employer and employed; and the consideration of this system would be foreign to the purposes of a book dealing with the method of industrial remuneration.

A form of Product-sharing, which certainly comes within our purview is the system of "tribute," still in force (although apparently dying out) in the Cornish mines. The different pieces of ground varying considerably in point of metalliferous richness, difficulty or ease of working, &c., each "pitch" is let to a miner on the terms that he shall receive a specified percentage of the agreed value of the mineral actually extracted from this piece, the man who offers to work the ground for the lowest sum per pound on the agreed value of the ore raised becoming the "taker." The "taker," it

should be understood, is the representative of a co-operative group (consisting "sometimes of as many as twelve men and boys, sometimes of sixteen, sometimes of eighteen, sometimes even of twenty-four or thirty-six")* who work together, and divide between them in equal shares the lump sum received for the job. This group, or "pair," before the auction takes place on the "public survey day," carefully inspect the parts of the mine to be dealt with, and are fully competent—probably more competent than their employer or his agent—to judge as to the comparative richness of the ground and as to all other matters necessary to enable them to know how much the job will yield to them. Now let us contrast Product-sharing with Profit-sharing; in the former case, if the miners find a job unprofitable, they have only their own bad judgment or bad luck to blame for it.† But under a Profit-sharing scheme, no matter how well the operatives may have done their work, they may quite well find that, owing to the bad management or bad luck of their employer, their bonus may be one of quite microscopic proportions, or may have vanished altogether.

Perhaps the best example of the position occupied by Product-sharing, properly so called, in regard to the method of industrial remuneration is afforded by the numerous cases which occur in the fishing industry. The systems in force among fishermen are very various; in some instances they are paid ordinary time-wages, in others progressive wages (a fixed time-wage supplemented by a premium of so much per ton of the catch); in other cases, again, their remuneration consists, not in any form of wages, but in a specified share in the catch or its market value; sometimes they are paid partly by fixed wages, partly by a share in the catch. The plan last mentioned is closely analogous to Profit-sharing, but differs in

* "*West Barbary*," by L. L. Price, p. 52 n.; to this work the reader is referred for a full description of the system of tribute.

† Observe that no mistake made by the employer in failing to get the best possible price for the ore can affect the earnings of the tribute-worker; for the amount of those earnings depends upon the *agreed* value of the mineral extracted, and not upon the price at which the ore is actually sold; see "*West Barbary*," p. 90.

certain important respects. Let us suppose that the employer (the boat-owner) has paid an exorbitant price for his boat, and for his nets, and has, it may be, sold his share of the catch in advance at a ridiculously low price; under such circumstances it may occur that his profits in relation to a given trip may be very low indeed. In such a case, does it follow that the bonus allotted to the men (in supplement of their wages) will also be correspondingly low? Certainly not: for the bonus of these fishermen is wholly irrespective of the rate of profit realized by their employer. If the method adopted had been Profit-sharing, then such mismanagement on the part of their employer would, of course, have diminished their remuneration. Under the method of Product-sharing, on the other hand, the reward of the men's labour is—it will be seen—dependent for its amount exclusively upon the success of their own efforts.

The method of Product-sharing is, for obvious reasons, one incapable of very wide application. The circumstances of the "tribute" mining are peculiar,* and do not find a parallel in many other industries. The sale of a man's share in a catch of fish is a simple matter, transacted by a market salesman in a few minutes. But a boot operative, who should find himself asked to take home every week, in lieu of his wages, or as supplemental to his wages, one or more pairs of boots, or, it may be, a single shoe, would decidedly feel extremely embarrassed. However, the general features of this system have seemed to deserve description, on account at once of their strong resemblance to, and of the instructive contrast which they afford with the more generally important method of Profit-sharing.

* The principal peculiarity consists in the difficulty of ascertaining beforehand the richness or poorness of a "pitch"—a difficulty which "the growth of knowledge on the part of the captains" (or mine agents) is gradually overcoming. —"*West Barbary*," p. 87.

CHAPTER XX.

THE THEORY OF PROFIT-SHARING.

HAVING now arrived at a clear conception of the method of Profit-sharing, under which the employee is to receive, in addition to his wages, and as the further reward of his labour, a stipulated proportion of the net gains of the business carried on by his employer, we will proceed to consider the nature of the participation thus proposed.

It is not intended in these pages to expound at any length the theory of Profit-sharing, which has been amply explained by Dr. Boehmert, and Mr. Sedley Taylor, and, more recently, in an admirably concise and practical work by Mr. N. P. Gilman (*Profit-sharing between Employer and Employee*). For our purpose it will be sufficient to refer to the various forms in which this theory is capable of application.

We will commence by examining the typical case of Leclaire, the French house-painter, by whom the method of Profit-sharing was originated. At the time when he adopted Profit-sharing, Leclaire employed three hundred men, all on time-wage. Leclaire reckoned that, if each of these men could be induced to work with greater zeal and intelligence, to waste less materials, and to spoil less tools than at present, a saving would be effected equivalent to rather more than £3,000 a year. His plan consisted in providing the requisite inducement, and that without any cost whatever to himself, by offering to his employees a share in his profits, such share to be paid out of this new profit of £3,000 a year which the new method was to create. "The increased activity of the

workman, his greater care of the tools and materials entrusted to him, and the consequent possibility of saving a considerable part of the cost of superintendence, enable profits to be obtained under a participating system which would not accrue under the established routine. If these extra profits were to be wholly divided among those whose labour produced them, the employer would still be as well off as he is under the existing system. But, assuming that he distributes among his workmen only a portion of this fresh fund, and retains the rest himself, both he and they will, at the end of the year, find their account in the new principle introduced into their business relations." (Sedley Taylor, *Profit-sharing*, p. 23.)

Such is the general theory of what may be called "stimulus" participation, *i.e.* Profit-sharing applied in cases in which the object of its adoption is to stimulate the zeal and increase the efficiency of the employees. In some cases, however, Profit-sharing is introduced with a view to gaining for the employer advantages other than these. Thus, if it is desired to paralyse, so far as possible, the power of a Trade Union, the promise of a share in profits, especially a promise conditional upon the participant's abstaining from joining a Trade Union, or, at any rate, upon his taking no part in strikes, may be made for the purpose of detaching the employees from allegiance to their Trade Union or otherwise weakening the influence of such combinations. This type may be termed "bribe" participation.

It frequently occurs that the profits of a firm depend largely upon the preservation of trade secrets, or would be gravely imperilled by the foundation of opposition establishments, officered by its ex-servants. In such cases, and, generally, in all cases, in which it is wished to prevent the employees from leaving the service of the firm, Profit-sharing has been found capable of application with advantage to the employers, and that quite apart from any possibility of inducing the display by the employees of any extraordinary degree of efficiency. The form of this method most suitable, under circumstances of this nature, is that, in which the share in profits allotted to the employees is placed to the credit

of a Provident Fund, providing pensions, &c., for those employees only who have spent a long continuous period in the service of the firm—an arrangement known by the name of "deferred" participation.

It remains to mention two types, to which the name of Profit-sharing is commonly given, although each of them embraces characteristics foreign to the accurate conception of the profit-sharing method. The first of these types is that in which the employee is asked to accept lower wages than he would otherwise have been able to obtain, and induced to do so by the expectation that his share in profits will recoup the deficiency in his earnings. It must be admitted that (quite apart from any bargain of this nature) many forms of Profit-sharing, such as "bribe," and "deferred" participation, make it likely that the employee will find it difficult to obtain an advance in wages, which he might have insisted upon, if he had been unfettered by participation in profits; so that, in effect, his share in profits may very possibly turn out, in the end, to be, *pro tanto*, in lieu of, and not wholly in addition to, normal or ordinary wages. Still, it would be incorrect to assert that the theory of Profit-sharing contemplates that the share in profits received by an employee shall be, to any extent whatever, in lieu of his ordinary wages. Those employers, therefore, who may adopt the practice of sharing profits with their employees on the condition that these employees shall, *ab initio*, consent to receive lower wages than they would otherwise have obtained, cannot be considered to practise what is properly known as Profit-sharing. This type, being, in effect, Profit-sharing *minus* the payment of full wages, might be called "*minus*" or "negative" participation.

The second of the two types above referred to is Profit-sharing *plus* the payment of gratuities. The cases covered by this description are those in which the share of profits allotted to the employees is allotted upon so generous a scale that no probable, or even possible, increase in the efficiency of their work can be expected to produce a new fund of profit sufficient to cover the amount divisible among the participants, and in which no conceivable advan-

tage, capable of being measured in terms of money, can be expected to accrue to the employer sufficient to compensate him for the sacrifice incurred. It is clear that we have here something entirely extraneous to the method of Profit-sharing; for under that method, as Mr. Sedley Taylor has told us, the employer who practises Profit-sharing is to be, at the least, "as well off as he is under the existing system." To the extent to which the adoption of a profit-sharing scheme causes a net disadvantage to the employer, that scheme is so far false to the central idea of Profit-sharing; and is an example of Profit-sharing *plus* philanthropy. This may be called "surrender" participation.

CHAPTER XXI.

PROFIT-SHARING IN PRACTICE.

The reader, who is anxious for full details in regard to the cases in which Profit-sharing has been adopted, will find these in the work of Mr. Gilman already referred to (*ante*, p. 162). It will, however, be necessary to point out certain errors into which Mr. Gilman appears to the present writer to have fallen; and to bring his information—so far as concerns the British Empire—up to date.

It has already been stated that Continental and American writers frequently confound Profit-sharing with other methods and practices: in fact, nearly one half of the cases, which are usually spoken of as cases of Profit-sharing, are, in reality, nothing of the kind. Thus Dr. Boehmert had included in his list of profit-sharing firms the name of Messrs. Crossley & Sons, Limited, who have offered to their employees very liberal facilities for taking shares in this company. But those among the workers, who in this instance share in the profits, do so in right, not of their labour, but of their capital. For this reason Crossley & Sons find no place in the list of profit-sharing houses given by Mr. Gilman. That list, however, contains many names which ought to be omitted, *e.g.* Rand, McNally & Co., a case on all fours with Crossley & Sons; Kingman & Co., who borrow money from their workmen at 6 per cent.; Houghton & Co., who allow their employees to deposit their savings with the firm and give the depositors, in respect of the sums standing to their credit, a share in their profits, in addition to a fixed rate of interest. Similar are the cases of the Ilsede, and the Moeller Foundries. None of these are instances of Profit-sharing. In others among Mr. Gilman's examples, although a bonus is paid in respect, not of capital,

but of labour, this bonus is a fixed sum irrespective of the profits realized (*Fabrique d'appareils électriques;* Rumford Chemical Works), or is a fraction, not of the profits, but of the gross receipts, or is a percentage upon the value of goods sold, reckoned without reference to the profit earned by their sale (Brière et Fils; Tramways Suisses; W. H. Smith & Son; Mame; Masson; Proctor & Gamble; Ara Cushman & Co.; Globe Tobacco Co.). But Profit-sharing means participation in net profits actually realized. Again, if the proprietors of the *Public Ledger*, or of the *Staats Zeitung*, pay rather more than the "scale" price of the Compositors' Trade Union; if the owners of the Norriton Woollen Mills give their hands a New Year's gift of 1*s* for every £1 of wages earned; if Mr. Tufts contributes to a Mutual Aid Society 1 per cent. on the wages of his workpeople, we are pleased to hear of such generosity; but we shall scarcely agree with Mr. Gilman in calling this Profit-sharing. Yet again, if the Yale and Towne Manufacturing Company think that they can get a *maximum* amount of work out of their employees by a system of progressive wages* (that is, a *minimum* wage, with a bonus on economy or efficiency of production), a system having no relation to the profits earned by the sale of the product, that does not bring these firms into the category of profit-sharing houses. The system in force in the factory of Mongin & Cie., under which "the men receive so much per 100 kilogrammes leaving the shop" (p. 187), is also a case of progressive wages; while the method adopted by the Fives Lille Company is incorrectly described by Mr. Gilman as a "levy on the annual profits" (p. 185). The profits spoken of in this case are not actual, realized profits, but are, to use the word applied to them by M. Charles Robert, the distinguished President of the French Profit-sharing Society, "conventional" only: that is to say, the system is one of bonus proportionate, not to profits earned, but to saving effected in production irrespective of the rate of profit realized; the method in this case also is that of progressive wages—Gain-sharing, not Profit-sharing.†

* For an account of this system see *ante*, pp. 75-81, and Appendix A.

† See the facts stated by M. Charles Robert in *Rapports du Jury International, Économie Sociale*, Section II., pp. 136, 137; and compare *ante*, p. 70 *n.*

It should further be remarked that, if the definition of Profit-sharing framed by the Paris Congress and adopted in this book is correct, then we must omit from the category of Profit-sharing firms all those numerous houses, in which the amount distributed among the employees is, not an amount fixed beforehand by agreement with them, but an amount determined at the end of the year by their employer at his absolute discretion. In addition to cases of the class just referred to, which are those distinguished by Mr. Gilman as cases of "Indeterminate Bonus," we shall also have to exclude those (Schloegmuehl Paper Mills, Page Belting Co., and Wanamaker) in which, though the total amount of the bonus is "determinate," yet this is distributed among the employees in proportions fixed solely by the will of the employer.*

For the reasons stated above, it will be seen that the list of profit-sharing firms given by Mr. Gilman must, if any approach to scientific accuracy is to be made, be considerably curtailed. On the other hand, while Mr. Gilman was only able to indicate some nine cases of Profit-sharing practised within the British Empire, the list of British firms, known to the present writer to practise Profit-sharing at the present time, which is printed in Appendix D, includes fifty-nine houses, employing between them between some 15,000 persons.

Before proceeding to speak of the cases in which Profit-sharing is at present practised by British firms it will be proper to call attention to the fact that the "particulars concerning the majority of the instances in which this plan has been tried and, for any reason, given up" contained in Mr. Gilman's book are, so far as this Empire is concerned, capable of considerable amplification. The instances of this nature mentioned by Mr. Gilman include only two British firms (the case of Samuelson is erroneously included by Mr. Gilman, having been a case of extra-wages, and not of

* The reader of Mr. Gilman's book will note several inaccuracies not mentioned above: Veuve Boucicaut is wrongly classed as "Indeterminate"; so are Tangyes, a firm, which (as stated above, p. 154) formerly practised "determinate" Profit-sharing, but has now abandoned the method altogether; so, too, are Young & Co., wrongly (as I have ascertained); while the Wardwell Needle Co. is improperly placed among the "Determinates."

Profit-sharing). As a matter of fact, the instances, in which Profit-sharing has failed in this Empire, are much more numerous. Besides the cases of Briggs & Co.* and Fox, Head & Co. named by Mr. Gilman, there was about the same time a large crop of Profit-sharing experiments.† Of all these pioneers of Profit-sharing in Great Britain there is but one single firm now in existence and still practising this method. In considering the fact of these instances of the non-success of Profit-sharing it must be borne in mind that, while the success of Profit-sharing is loudly proclaimed, its failures are, as a rule, allowed to lapse into obscurity. Nevertheless, without having made any systematic attempt to discover these cases of failure, I have come across several not alluded to in any previous work on this subject. Among the instances of profit-sharing firms cited by Mr. Gilman is the firm of Tangyes, Engineers, of Birmingham, who (as stated above, p. 154) formerly gave some of their men a bond for £50 carrying interest at the same rate as the dividend declared on the shares of the Company. But this form of Profit-sharing gave rise to dissatisfaction on the part of some of the employees, and now the bonds bear interest at a fixed rate, irrespective of the profits earned. In the case of Messrs. Spottiswoode, Printers, New Street Square, Profit-sharing is declared to have been abandoned on account of the pressure of competition—a fact inconsistent with the supposition that the profit-sharing employees gave full value for their bonus in the shape of increased zeal. Among other houses which have abandoned the method of Profit-sharing may be mentioned Messrs. Gimson, Engineers, Leicester; Price's Patent Candle Company, London; and—to come to more recent times—a firm of decorators at Manchester, and a large firm of bakers and confectioners (W. Hill & Son) in London; while a

* See Sedley Taylor's *Profit-sharing*, pp. 117-154.

† Miss Potter speaks of "eleven other firms of importance" (in addition to Briggs & Co.) as having introduced Profit-sharing between 1866 and 1869 (*The Co-operative Movement in Great Britain*, p. 135). "In Leicester Michael Wright & Sons made a deliberate effort to introduce the principles of Industrial Partnership into their Elastic Web Works; but did not find their efforts supported by their workpeople" (*History of Co-operation*, by G. J. Holyoake, Vol. II., p. 236).

millinery and underlinen business commenced in London by social reformers with the express object of sharing profits with the workers, has had to abandon this method, which proved unsatisfactory in operation. Taking only the last few years, we have the case mentioned in the Board of Trade *Report on the Strikes and Lock-outs of* 1888, in which Profit-sharing was tried and found wanting by a firm of engineers at Glasgow (pp. 84-86); which may, perhaps, be the firm (Ross & Duncan, Whitefield Works) mentioned in *Industries,* March 28th, 1890, as having had to abandon Profit-sharing owing to the opposition of their men. Another Scotch firm used to give a share in profits to certain of its officials and foremen, who paid over a part to the men under them; but these officers, anxious to extend their participation in profits, have started a rival business. Mr. Wallace of Limavady, Ireland, printer, who has always intended to share his profits with his employees, has disappeared from the list of profit-sharing firms, having hitherto failed to earn any profits. Mr. Waterman, boot manufacturer, of Bristol, has found himself unable to carry on that branch of his business in which he practised Profit-sharing; Bailey, Nokes & Co., owners of rolling-mills at Birmingham, have abandoned Profit-sharing, apparently for financial reasons; a number of middle-class "Co-operative" Stores in London fully meant to share profits with their workers, but have, unfortunately, been wound up, with their good intentions unfulfilled. A firm, the name of which I am not at liberty to mention, had a profit-sharing scheme in force for a year; failed to earn profits sufficient to enable the payment of any bonus; and has abandoned Profit-sharing for the present. The Workwomen's Co-operative Association, which promised to divide its profits between its employees, has recently collapsed, after three years of persistent loss.

In addition to these cases of the failure or abandonment of Profit-sharing there are others, in which employers have attempted to introduce this method, but have found Profit-sharing scornfully rejected by their workmen. The details in respect to one such case (Thames Ironworks Co.) are given in the *Co-operative News,* October 4th, 1890. But of other similar schemes, nipped in the bud—as the gossip of working-men

declares—by the opposition of the employees, history offers no record.*

Passing on to examine the various schemes of Profit-sharing in force at the present time, we shall find that these exhibit a considerable degree of variety. But their general character may be taken to be (speaking broadly) of the following nature: from the gross receipts the cost of raw material, rent, wages, and salaries, including (if the business is worked on the joint-stock plan) those of the managing and other directors, and other working expenses, and also sums in respect of depreciation, and to provide a Reserve Fund, are first deducted; upon the net profits then remaining a *minimum* dividend is usually a first charge; out of what remains a specified part is allotted as the share of the employees. The total sum so allotted is usually divided between the participating employees in proportion to their ordinary wages; but, in some instances, length of service entitles the participant to a larger share. In some cases the whole of the bonus is paid in cash, in others a part, or the whole, is retained as an investment on behalf of the employees, forming, in most of these cases, a Provident Fund destined to meet the necessities of sickness and old age.†

It remains to add that in cases, in which secrecy in regard to the accounts of the firm is possible and desirable, the most suitable plan is that, which provides that, while the general basis of the division of profits is communicated to the employees, the duty of certifying to them the amount due as their share in profits shall be confided to a Public Accountant, to whom, and to whom alone, the figures relating to the working of the business are submitted, the rate of profit earned being kept secret.

An example of a scheme of this description will be found in Appendix E, where I have printed the rules in force with Messrs. Thomas Bushill & Sons, manufacturing stationers, of Coventry, together with a few practical remarks upon the

* One unsuccessful attempt to introduce Profit-sharing is mentioned by Mr. E. S. Norris, M.P., in a letter to the *Times*, August 17th, 1891.

† In a few cases the bonus is applied to the purchase of shares in the business to be held by the employees.

details of this scheme, which Mr. T. W. Bushill has been so good as to furnish. The reader, who is anxious to study the features of other profit-sharing schemes, will do well to consult a recent book by Mr. H. G. Rawson (*Profit-sharing Precedents:* London, Stevens & Co., 1891).*

With respect to the results which have been obtained by the adoption of Profit-sharing many interesting details are contained in Mr. Gilman's book, and it will in this place only be necessary to give a few additional particulars with regard to British firms, and to allude to certain special points in connection with this method generally.

Mr. Thomas Dixon Galpin, director of Cassell & Company, Limited, London, a printing and publishing house which pays a dividend of ten per cent., and which has had this system in force since 1878, has written: "In reply to your question as to the effect which our system of enabling our workpeople and other employees to participate in the profits of our business has had upon that business, I am glad to state we find that it has been distinctly beneficial. The interest which our workpeople take in the affairs of the house has been stimulated by the identification of their interests with our own, and we have every reason to feel satisfied that the shareholders have profited by a system which was primarily intended for the benefit of the employees." Mr. G. Thomson, woollen manufacturer, of Huddersfield, has told the writer that, since he introduced the scheme of Profit-sharing, which has been in force in his business since 1886, he has found that the industrial machine, so to speak, runs itself. He can leave his works for weeks at a time with the certainty that all will go on there just as smoothly as if he were present, while under the old *régime* his constant personal supervision was indispensable. Mr. T. W. Bushill wrote in 1889: "We started upon a trial year of Profit-sharing with but modest expectations as to immediate results. Now, at its close, we can report that these expectations are

* It is, of course, open to an employer to stipulate that some part of the bonus shall be credited to a reserve fund, available to meet losses. Such a stipulation, however, has, up to now, been made only in a very small number of instances.

greatly surpassed. In previous years we can scarcely say that, speaking generally, we had just cause for complaint; but this year a new spring of action seems to have been touched in the case of very many of our people; further, the improved results in these cases have, apparently, been called forth quite as much by a desire to respond to the spirit of the new privileges conferred upon them as by the hope of prospective personal gain. Spontaneous economies, both as to time and material, have been noticed, along with a fertility of resource in overcoming difficulties, and in devising cheaper methods of production. An appreciable percentage of the occasions of worry, which all large employers experience, have disappeared. The value of the institution of Profit-sharing as a lubricant can scarcely, to my mind, be over-estimated." Now, in 1891, Mr. Bushill writes to me: "Experience so far has confirmed me in the opinion that Profit-sharing furthers the true interests of both employers and employed. Personally, I would not go back to the old *régime* for a great deal." Messrs. Brooke, Bond & Co., wholesale tea blenders, of St. Dunstan's Hill, London, who have practised this method since 1882, write: "Our system of Profit-sharing was introduced primarily for the benefit of the workers. The problem was, how to add to the earnings of labour without diminishing the profits of the employer. The solution was supposed to be found in increased zeal and vigilance, punctuality, economies of time and material, and identification of interests. We are completely satisfied with the results. Our hands enjoy a substantial bonus. On our part, we have the advantage of a better choice of hands, indisposition on their part to change, less necessity for incessant personal supervision, and greater amenity and agreeableness in the relations of masters and servants." It is of interest to note the manner in which Profit-sharing operates in relation to the large staff of clerks employed by this firm. It would appear difficult to improve the quality of labour of this class by the stimulus of Profit-sharing beyond that *minimum* point of efficiency which the fear of dismissal (for inaccuracy, &c.) is adequate to secure. It is found that the effect of Profit-sharing is to make the clerks willing to

exert themselves in an especial manner, when the occasion arises, because they know that, if they show themselves unable to cope with the mass of work to be done, then the staff must be increased; and they do not care to see their bonus diminished by an augmentation of the numbers entitled to participation.

On the other hand, the fact, that many of those employers who have tried Profit-sharing have been less fortunate in their experience, is shown by the numerous cases in which this method, as above stated, has been abandoned after trial. Messrs. Gimson asked their men, who had taken a holiday of two days' duration, to make up for the time lost at ordinary rates; but these mechanics declined to do so except at the usual over-time rates. Messrs. Gimson, who considered this refusal very unreasonable, coming, as it did, from men who shared in profits, soon afterwards abandoned the system. Messrs. Hill & Son write: "We thought by sharing the profits with our people we should stimulate their intelligence and stimulate the interest they took in our business, but we are sorry to say we did not find that any such results followed. The workman, who was energetic and interested in his work before, was energetic and interested afterwards. The workman who was careless and slovenly before, was careless and slovenly afterwards. We therefore abandoned the system." If space permitted, further testimony, adverse to the claims made for Profit-sharing as increasing the efficiency of labour, might be adduced. It is, however, sufficient to say that the good results undoubtedly produced in some cases do not, by any means, invariably follow the introduction of Profit-sharing.

Passing from "stimulus participation" to what I have ventured to name "bribe" participation we find that the results hoped for, when Profit-sharing of this nature has been adopted, have been obtained in numerous instances, both abroad and here.

As an example of the success of bribe participation in detaching workmen from allegiance to their Trade Union or alliance with their fellow-workmen we may take the case of the Maison Leclaire. "In 1876, while the buildings of the

Paris Exposition were preparing, the painters employed on them struck for higher wages, which the employers had to allow in the end. The authorities called on M. Redouly [manager of the profit-sharing firm of Leclaire], whose workmen had not joined in the strike, to help them out of their difficulty. The Leclaire painters, accordingly, without increase of wages, worked fourteen hours a day and two nights in the week for six weeks" (Gilman, *Profit-sharing*, p. 103). It will be observed that in this instance the effect of Profit-sharing in destroying the natural fellow-feeling, which one workingman usually feels for another, and which is so potent a factor in trade union combination, was very remarkable. For these painters—men in good employment at the time, and therefore free from the inducement which commonly leads workmen to act as "blacklegs," or deserters from the cause of labour—are shown to have been eager to render traitorous assistance to the masters against whom their fellow-workmen had struck.

Profit-sharing of the bribe type was tried in a celebrated instance by Mr. Henry Briggs, of Whitwood; and—as is well-known—was abandoned because the men declined to desert their Trade Union. Mr. Henry Currer Briggs introduced Profit-sharing at the Carlton Ironworks; but the Company writes to me: "We had to give it up after a few years' trial, the same as the Whitwood Collieries, as we found the workmen were quite willing to share profits, but when there was a strike in the district, our employees would not remain at work but threw in their lot with the trades unionists when the latter called upon them to strike work."

As a set-off to these failures of this kind of Profit-sharing in England we have the well-known case of the South Metropolitan Gas Company, in which Mr. George Livesey has succeeded in altogether detaching his profit-sharing workmen from allegiance to the Trade Union. An instance of a somewhat similar application of the profit-sharing method recently made in another trade is known to the writer; but it does not seem necessary to give the particulars, since it is too soon to speak of its success as assured.

The type of Profit-sharing known as deferred participation, owes its development to the late managing director of the

Compagnie d'Assurances Générales. "This life, fire, and marine insurance company formerly suffered much from the competition of newly-formed companies, which drew away its best men by the promise of a larger salary. In 1850, M. de Courcy proposed a scheme for the establishment of a Provident Fund, which should have the effect of retaining in the service of the Company all its employees whom it desired to keep" (Gilman, *Profit-sharing*, p. 159). No employee receives any advantage from this Provident Fund until he has worked twenty-five years for the house, or is sixty-five years old. The result has been that "the company has succeeded perfectly in holding its servants throughout their working career" (*ib.*, p. 160). Deferred Participation, which is now in force, in a more or less complete form, in numerous Continental profit-sharing establishments, can hardly be said to have, as yet, had an adequate trial in this country, where a somewhat strong feeling prevails that it is unwise on the part of an employee to leave his earnings in the hands of his employers, liable to forfeiture in the event of his desiring, either with a view to obtaining higher wages or for any other reason, to quit their service.

One important point in connection with the method of Profit-sharing remains for consideration—the actual extent of the addition which the adoption of this method has made to the remuneration of labour.

The figures which are subjoined (pp. 178, 179) relate exclusively to business concerns in which Profit-sharing is at present in operation: and show the results obtained up to the end of 1891. Cases in which Profit-sharing has been abandoned, and cases in which a profit-sharing firm has gone into liquidation, or has for any other reason ceased to carry on business, are excluded from consideration.

Out of the fifty-nine British employers (other than co-operative associations dealt with later on in treating of Industrial Co-operation) known to the writer to practice Profit-sharing fifty-two have practised this method for one year or more (having commenced Profit-sharing prior to the end of 1890).

Tables I. and II. contain information as to forty-three of these employers. In regard to two other firms (Peto Brothers,

builders, and Hubbard's Profit-sharing Business, builders), the period at which the bonus has to be ascertained has not yet arrived. With respect to Cassell & Co., Limited, printers and publishers, and Sampson Low & Marston, Limited, publishers, the calculation of the ratio of bonus to wages would involve an amount of labour too great to be undertaken by these firms. With regard to the remaining five firms, in respect to which I have been unable to obtain particulars, the inference, that in all these instances the reason for reticence has been the unsatisfactory character of the results, would probably be inaccurate. Many other causes may account for the unwillingness of a firm to disclose the details of its balance-sheets.

Turning to Tables I. and II. (in which we will count the four estates of Mr. Grey as four separate cases), we find that our forty-six instances include eleven cases of total failure to pay bonus; two cases of a bonus of less than 1 per cent. on wages; two of 1 per cent.; one case of 1·8 per cent.; one of "1·5 to 3" per cent.; three cases of from 2 up to 2·8 per cent.; four of from 3·2 up to 3·8 per cent.; four of from 4 up to 4·7 per cent.; five cases of from 5 up to 5·5 per cent.; one of 6·2 and one of 6·5 per cent.; one case of 7·5, and one of 7·6 per cent.; two of "over 8," and 8·7 per cent. respectively; one of 9·2 per cent.; three of 10, 10·6 and 10·8 per cent. respectively; one of 11·1, and one of "over 12" per cent.; while a bonus at the rate of 26·9 per cent. on wages has been paid in one instance.

With regard to the extent to which the participation in profits extends, it may be taken that, in most instances, the number of the participants is very nearly identical with the total number of employees; though sometimes a *minimum* period of service is required to entitle an employee to share in profits. As a rule, the participants share in the ratio of the wages earned by each; in a few cases length of service entitles an employee to an extra share.

In considering the actual addition made to the remuneration of the employees of these firms, it would obviously be proper to take into account the fact—if fact it were—that any of them have used the adoption of Profit-sharing as a means to induce

TABLE I.

Reference to notes below.	Name of Firm.	Nature of Business.	Number of Employees.	When Profit-sharing adopted	Average ra of bonus t wages sin adoption Profit-shari
					Per cent.
1	Agricultural and Horticultural Association, Ld.	Seedsmen, manure & cake manufacturers	about 100	1874	8·7
2, 3	Women's Printing Society, Ld.	Printers	20	1875	0·5
2	Co-operative Needlewomen's Society	Needlework	25	1880	*Nil.*
	Brooke, Bond & Co.	Wholesale tea blenders	154	1882	10·6
2	D'Oyly & Co., Ld. (formerly Decorative Co-operators' Association)	House painters, plumbers, &c.	?	1883	*Nil.*
	Blundell, Spence & Co., Ld.	Colour and varnish manufacturers	330	1884	1·8
2, 4	Needlewomen's Co-operative Association, Ld.	Shirt, &c., manufacturers	60	1885	*Nil.*
	J. W. Arrowsmith	Printer and Publisher	about 60	1886	5
	Albert Grey	Farming — A Estate	26	1886	3·3
		Farming — B Estate	55	1886	2
		Farming — C Estate	10	1888	*Nil.*
		Farming — D Estate	26	1889	*Nil.*
	Hazell, Watson & Viney, Ld.	Printers, &c.	1,200	1886	1
	Earl Spencer	Farming	9	1886	*Nil.*
5	W. Thomson & Sons, Ld.	Woollen manufacturers	150	1886	·6
	J. Boyd Kinnear	Farming	—	1887	3·2
	H. D. Young & Co.	Leather merchants, &c.	14	1887	'1-5 to
6	Binns & Co.	Cornfactors & seedsmen	12	1888	4·7
7	New Welsh Slate Co., Ld.	Quarry owners	260	1889	*Nil.*
	New Zealand Farmers' Co-operative Association, Ld.	Wool & grain merchants, general merchants, clothing manufacturers	90	1889	3·5
	South Metropolitan Gas Co.	Gasworks	about 3,000	1889	5
	Clarke, Nickolls & Coombs, Ld.	Confectionery manufacturers	1,000	1890	4
	East Anglian Fruit Preserving Co., Ld.	Jam & confectionery manufacturers	16	1890	*Nil.*
	Thomas Hailing	Printer	9	1890	*Nil.*
	Headley Brothers	Printers, &c.	24	1890	3·8
8	George Holloway, M.P.	Farming	?	1890	*Nil.*
	Charles Joyner & Co.	Chandelier manufacturers	280	1890	4
	Kensington Co-operative Stores, Ld.	Stores	300	1890	*Nil.*
	Lee & Hunt	Tool manufacturers	60	1890	4·5
	London, Deptford, and Greenwich Tramways Co. (formerly Southwark and Deptford Tramways Co.)	Tramways	104	1890	1
	Robert Martin	Printer	6	1890	2·2
	McVitie & Price	Biscuit manufacturers	about 150	1890	5·1
	Robert McVitie	Baker, &c.	38	1890	6·2
	Newman & Son	Printers & stationers	17	1890	7·5
	W. Rowntree & Sons	Drapers, &c.	100	1890	2·8
	James Tucker, Ld.	Millers	100	1890	10

1. The figures from 1884 only available.

2. Formed by social reformers.

3. Pays wages much higher than current in trade.

4. Registered in 1887 under Industrial and Provident Societies' Act, 1876; but not included in the last returns of the Co-operative Union.

5. The employees voluntarily bore losses to the extent of £201. 5*s*.

6. A further equal amount placed to a reserve fund to meet losses, but subject theret belong to employees. The figures from only available.

7. "When the quarry is developed it is mated that a bonus of 5 to 6 per cent wages will be paid whenever 5 per cent. pr are earned, the bonus rising proportion with dividends."

8. Mr. Holloway has given to his emplo (not out of profits) as bonus the sun £67. 17*s* 7*d*, equivalent to 13·3 per cent on w

TABLE II.

Firm.	Size of Firm.	Average ratio of bonus to wages.	Number of consecutive years (ending 1890-1) to which this average relates.	Remarks.
No. 1	Small	"over 8"	10	These Firms do not permit the publication of fuller details.*
No. 2	Medium	6·5	5	
No. 3	Medium	10·8	2	
No. 4	Large	11·1	2	
No. 5	Medium	5	2	
No. 6	Small	26·9	2	
No. 7	Small	7·6	2	
No. 8	Small	"over 12"	1	
No. 9	Small	9·2	1	
No. 10	Small	5·5	1	

their workpeople to accept a lower rate of wages than these employees could and would have insisted upon if no scheme of Profit-sharing had been in existence.† Although it would not be correct to say that all the firms in question, without exception, pay their employees according to the scale of wages and the regulations recognised as "fair" by the Trade Unions, yet, speaking with some knowledge of the circumstances, I may express my opinion that in one only of these cases are the employees receiving lower wages by reason of their sharing in profits, this exception being the case in which the employees have received the abnormally high bonus of 26·9 per cent. on wages. In all the other instances I believe that the bonus is a clear addition to the normal remuneration of the employees.

I have thought it right to ascertain and submit to the reader the figures relating to the ratio of bonus to wages in British profit-sharing firms; but I cannot allege that it is possible to draw any scientific conclusions of much utility from my statistics. Out of the fifty-nine British firms known to me to

* In many of these cases "trade reasons" necessitate reticence: in regard to one firm the customers complain, saying that a house which can afford to pay so large a bonus to its employees must be over-charging its clients.

† That Profit-sharing may be adopted expressly for this purpose is quite possible. Indeed, in regard to a firm by which Profit-sharing of the bribe type has recently been introduced, I have reason to believe this to be the case.

practise Profit-sharing, twelve alone have had this system in force for more than five years (having adopted it in 1885 or earlier); while thirty-five of them date back to 1889-91 only. It is obvious that an experience so short as that of most British firms, an experience, too, covering only years of exceptional commercial prosperity, is valueless for scientific purposes. Then, again, out of the twelve firms which go back to 1885 or earlier, no less than four are businesses formed by social reformers. But the peculiar circumstances, under which business is carried on when mixed up with philanthropy, make it impossible to deduce from the *data* furnished by the working of such concerns conclusions applicable to ordinary trading establishments. When a further period of, say, ten years shall have elapsed, when we are in a position to see how profits are affected by that steady pressure of rising wages, which appears likely to be experienced in this country, and by seasons of trade depression, which can scarcely be escaped, then we shall be in a position to judge with some degree of precision of the increase in industrial remuneration which Profit-sharing may be expected to produce. If, in the meantime, we hazard, as a rough guess, the opinion that, so far as this Empire is concerned, this increase is likely to be (on the average, taking one case with another) at a rate not exceeding about four per cent. on the wages of the employees, we shall probably be making an estimate as nearly accurate as the circumstances will permit.*

* With regard to Continental and American experience, the reader will find some information in Mr. Gilman's book; but an exact account of the average ratio of bonus to wages, taking good years with bad over a long period, does not, so far as I know, exist. The latest information of a general nature in respect to Continental experience, is that contained in the paper, *Des Divers Modes de Rémuneration du Travail*, read in May, 1890, before the *Congrès des Sociétés Savantes*, by M. A. Gibon, a warm advocate of the profit-sharing method. M. Gibon says: "Wherever the number of the employees in question is considerable, Profit-sharing, however great may be the burden which it imposes upon the employer, will never give the employees more than a very moderate supplement to their ordinary wages, varying, as a rule, from £2 to £6 per annum" (p. 39). It will be seen that M. Gibon does not confine his estimate to Profit-sharing proper, under which the bonus is to be created by the extra zeal of the employees, no burden being imposed upon the employer. Obviously, however, it is difficult to frame an estimate of surrender participation—a type which, if our working-men succeed in steadily reducing profits by constant advances in wages is, perhaps, unlikely to be frequently adopted.

CHAPTER XXII.

CRITICAL EXAMINATION OF THE METHOD OF PROFIT-SHARING.

THE theory and the practice of Profit-sharing having now been explained, it is proper to consider the position to be assigned to this method of industrial remuneration. What—we will ask—is the relation of Profit-sharing to the ordinary wage-system; and to what extent does Profit-sharing constitute an improvement upon the ordinary wage-system?

It will be convenient to treat in the first place of what might be termed the minor branches of Profit-sharing—bribe and deferred participation.

With regard to deferred participation, whose object it is to "hold" (as Mr. Gilman calls it) the employees, it is possible to entertain a certain degree of doubt as to whether it is an unmixed advantage to a servant to be bound in this manner to his master. In the typical case referred to above (p. 176) we have seen that the purpose, with which Profit-sharing in the deferred form was adopted in the French Insurance Office, in which this system was originated, was that of preventing rival companies from drawing away its best men by the promise of a higher salary. But is it not a disadvantage to a man to be fettered by the fear of forfeiting his claims under a Provident Fund in such a manner that he is prevented from increasing his salary by either insisting that this salary shall be raised by his present employers, or else seeking employment on better terms elsewhere? Again, can we lose sight of the possibility of a man's being deprived of all his claims on the Provident Fund by a capricious dismissal, an occurrence which is—as I happen to know—by no means unheard of in these profit-sharing insurance com-

panies? And is it wise for a man to put himself under pledges to suffer without a murmur any amount of persecution which may be inflicted upon him by his official superiors?

Of course, so far as the share in profits given to the employee is a free gift, the maxim "beggars must not be choosers" will apply: the employee must take his pension on the terms on which it is offered, or not at all. But so far as this share in profits is given in exchange either for a special degree of assiduity exhibited by the employee or for that increase in salary, which by reason of the competition among employers for his services he might and would otherwise have obtained, it would not be unreasonable if he were to object to a system which forces him to leave his deferred pay in pawn, to answer for his complete and perpetual subservience to the will of his present masters. The right of bettering his position is dear to every man of energy and independence, and is one which it is hardly advantageous to surrender in exchange for a mess of pottage so little savoury as this deferred participation.

The remarks just made will apply, not alone to cases of participation in profits in the form of deferred pay locked up in a Provident Fund, but to all cases in which the employee loses his right to a bonus to be paid at the end of a year or any other period by discharging himself or by being discharged during that period. It must be admitted that, what Mr. Sedley Taylor calls the "moral gain to the workman in passing from the position of a mere wage-earner to that of an associate in profits,"* is somewhat dearly purchased when its price involves the imposition of a penalty upon the exercise of the ordinary privilege of every workman—the privilege of securing for himself fair treatment by a refusal to continue working upon terms which he considers to be unreasonable.

What is the exact character of the moral gain which accrues to a workman, or to any other man, by "passing from the position of a mere wage-earner to that of an associate in profits," is a question which it is not altogether easy to answer. Is it really the fact that the managing director of a joint-stock business, who is paid a salary, but has no

* *Report of Industrial Remuneration Conference*, p. 256.

interest in the profits, is for this reason morally inferior to the head of a private firm, who receives no salary but takes all the profits? But if the result of his becoming "an associate in profits" is to virtually deprive the workman of his liberty of action, and, above all, to bribe him into severing those natural ties which link him to his fellow-workmen, then it might well be asked whether the moral gain—whatever it is—conferred by Profit-sharing is not liable to be accompanied by a moral loss not unworthy of remark. That the tendency of the profit-sharing method,* when adopted either in the bribe or in the deferred form is inimical to the success of trade union effort, is alleged with every show of truth; indeed, in regard to Profit-sharing in all its forms alike, it is frequently declared that, when a question affecting the men in a trade generally has to be settled, the specially treated employees of a profit-sharing house are inclined to maintain an unsympathetic attitude towards their fellows. Certainly, when we remember the manner in which (as described in the last chapter) the workmen of the profit-sharing *Maison Leclaire*, during the pendency of a dispute in no way concerning their own interests, intervened with the express object of aiding the employers of their fellow-workmen to resist a claim for higher wages—a claim, too, which these employers ended by finding themselves able to concede—we shall easily understand the force of the contention advanced by trade unionists that the prevalence of Profit-sharing would operate injuriously to the interests of the working-classes, whom it would tend to deprive of those benefits which it is claimed that trade combination is capable of securing for them.

Leaving the trade union view of Profit-sharing for more detailed examination a little later on, let us scrutinize this method in its principal form—stimulus participation. As has been already stated on the authority of Mr. Sedley Taylor, the economic basis of this type of Profit-sharing is the assumption that the increased zeal, which the workers are

* "We think it will ever be difficult to consolidate organization in any body where a system of deferred pay, either in the form of perquisites or pensions, prevails" (*Report of the Parliamentary Committee of the Trades Union Congress*, 1890, p. 24).

induced to display, "enables profits to be obtained under a participating system which would not accrue under the established routine." What, then, is the share in profits which the theory of this method proposes should be allotted to the employees? To this important question the advocates of Profit-sharing have furnished only a very imperfect answer. For they have told us the *maximum*, but not the *minimum*, share which is to be allotted to the employee. The total amount paid away in bonus is in no case to exceed the money value of the abnormal additional services which the hope of earning this bonus may be expected to induce the profit-sharing employees to render to their employer.* In the emphatic and precise words of Professor Nicholson, "Under the stimulus of Profit-sharing the workers must create the additional profits which they are to receive" (*Contemporary Review*, January, 1890, p. 68). Profit-sharing, therefore, is a method under which the employee is asked to do, say, twenty per cent. more work than at present, while the employer offers that, *if the profits of the business shall allow it*, the remuneration of the employee shall be increased by an addition in the shape of bonus to the extent of not more, in any case, than twenty per cent., and to the extent in most cases of very much less than twenty per cent. For Mr. Sedley Taylor expressly states that, as a rule, a part only of the extra profits created by the stimulus of Profit-sharing is given up to the employees (*Profit-sharing*, p. 66); and no exponent of this industrial method has yet laid down any rule as to the smallest share in these extra profits which the employer shall give to his workmen. If he can get a sovereign's worth of extra zeal by paying a bonus of ten shillings, then the profit-sharing employer will be able to adopt this course, with the satisfaction of knowing that he is acting in perfect consonance with the theory of Profit-sharing—a method which, to use the significant language of Mr. Gilman, "keeps the interests of the employer in view throughout" (*Profit-sharing*, p. 436).

That, in cases suitable for its application, Profit-sharing

* "The fund on which participation draws is the surplus profit, realized in consequence of the enhanced efficiency of the work done under its stimulating influence" (Sedley Taylor, *Profit-sharing*, p. 41).

promotes the interests of the employer seems clear. Profit-sharing supplies an inducement to men on time-wage not to dawdle over, and to men on piece-wage not to scamp, their work, while waste of material is powerfully discouraged. To take one typical instance, it is shown that in that well-known profit-sharing printing establishment, the *Maison Chaix*, the lithographers are more than ordinarily careful of their stones. "'Don't let us break any more,' they say, '*we* should lose eight francs!'" (Gilman, *Profit-sharing*, p. 148). This example is especially interesting because it well displays the influence of that element to which Profit-sharing owes so great a part of its success—the element of collectivity. Each employee has a direct interest, not only in doing his own work well, but in seeing that his fellow-workmen do their work well. Each man thus becomes a foreman in relation to every other man. Even the regular superintendents of labour are themselves superintended by their subordinates; and I have known workmen in a profit-sharing house to report a foreman to the heads of a business for neglect in the discharge of his duties. Under circumstances such as these, the claim which is made for the method of Profit-sharing, that the extra efficiency, which the system induces the workers to exhibit, augments the normal gains of a business to an extent amply sufficient to cover, or more than cover, the amount paid away in bonus, is shown to be in these cases thoroughly well founded. But it must be pointed out that there are many kinds of labour to which the method is inapplicable, because all that is required from the employee is a certain regular *minimum* of work, his due performance of which is easily ascertainable, and is capable of being secured by the fear of dismissal. Even where the labour in question is not of this class, yet, if the men are on piece-wage, the Profit-sharing system may very possibly fail to produce any very noteworthy results, the zeal of the workers being already sufficiently stimulated by the proportion thus maintained between the intensity of their effort and the amount of their remuneration.

But the most important of all the questions, which can be raised in relation to Profit-sharing, is, undoubtedly, the question whether the increased efficiency and economy, which

this method claims to produce, might not in many cases be equally well produced by some form of the existing wage-system; and that with greater advantage to the employee than is likely to accrue to him under the new-fangled, co-operative plan, which proposes the partial substitution of profits for wages as the remuneration of labour.

Let us test the matter by a concrete instance. Here is a pair of boots, the ordinary piece-wage for making which is 8*s*. I want my workman to take especial care with this pair, which will involve his spending fifteen hours instead of twelve over the job; as he would say, I want "more work put into the boots" to the value of 2*s*. I tell the workman that I expect to be able to sell the boots at a net profit of 10*s*, and I ask my man whether he will have (in addition to his ordinary wage) 2*s* when he "shops" the boots, or twenty per cent. of my (expected) profits at the end of the year. Can anyone doubt the answer? The workman knows that I may fail to realize my profit of 10*s* for many reasons, all of them matters with which he has nothing to do. I may have given too much for the raw material; I may have designed the boots badly, so that no purchaser will look at them; or I may be foolish enough to trust an insolvent purchaser who cannot be induced to pay for the boots. No sane person would expect the tanner to forego part of the price of the leather in consideration of a promise of part of the profits to be realized on the sale of the finished article. Why should the workman make a bargain of this nature? The workman sells his labour as the tanner sells his leather, for better or for worse, at a fixed price. The price of the craftsman's labour is his wages. Profits are the price of another kind of labour—labour in which the employee takes no part. Profits are the piece-work remuneration of management and enterprise.

The main test of the all-round efficiency of any method of industrial remuneration is generally admitted to be found in the degree in which it succeeds in securing a due proportion between the price of labour on the one hand, and the quantity and quality of that labour on the other, including in the elements which go to make up the quality, not

alone careful workmanship, but also the avoidance of waste. In short, the object aimed at is the perfection of payment by results. Now, all forms of piece-wage involve payment by results, the remuneration of the workman being proportionate to the quantity of the work performed, and also to its quality, so far as this quality can be ascertained by the critical inspection of an experienced foreman. If, however, either because the employer fears that his men may be induced to maintain a rate of speed incompatible with careful execution, or for any other reason, it be considered undesirable to put them upon simple piece-wage, then the operatives may be employed under some form of progressive wages,* receiving, in addition to a fixed time-wage, a supplement contingent upon the efficiency, quantitative, qualitative, or both, of the labour performed, while the avoidance of waste can, in like manner, be promoted by prizes for economy in the use of material.†

Observe, that the ordinary, non-co-operative wage-system, whether in the form of simple piece-wage or of progressive wages, can be applied, not alone to men working single-handed, but also to men working in groups, the method of collective wages possessing to the fullest extent that important element to which, as already remarked, the method

* See *ante*, Chapters VI. and IX.

† The plan of giving extra-wages for special services can be applied in a great variety of forms. Thus, one of the principal merits claimed for Profit-sharing is that (as in the case of the *Maison Godin*, Gilman, *Profit-sharing*, p. 180) this system stimulates the workmen to invent new tools, appliances, and methods of working. But that the same result can be produced by prizes for inventions, is shown by the case of Denny's ship-building workmen: after a system of giving rewards for inventions had been in force for seven years Mr. Denny stated "that in that time as many as 196 awards had been given for inventions which were thought useful to adopt, that three times that number had been submitted for consideration, and that besides being beneficial in causing so many useful improvements to be made, the scheme had the effect of making the workmen of all departments into active thinking and planning beings instead of mere flesh and blood machines" (*Contemporary Socialism*, by John Rae, 2nd edition, p. 322). The Yale and Towne Manufacturing Co. (see *ante*, pp. 75-81, and Appendix A) have "a system of premiums paid for valuable inventions, which the company reserves the right to purchase. In 1888 fourteen premiums were awarded, aggregating 600 dollars. In 1889 the result was similarly successful" (*Sixth Report of Connecticut Bureau of Labour Statistics*, p. 227).

of Profit-sharing owes so much of its efficacy; for under any and every system of collective wages (whether progressive or simple) each member of the group is under a strong incentive to induce his neighbours to exert their utmost endeavours in order that the amount of the joint remuneration (*i.e.* joint piece-wage or joint bonus on production, as the case may be) may be as high as possible. ("Hurry up, do you think I am going to carry you on my back?" is an expression which I have known to be used by an indignant member of a group of workmen employed on collective piece-wage to his less active mate.) But, above all things, observe that all types of piece-wage, whether simple or progressive, and whether individual or collective, possess this most marked superiority over Profit-sharing, that by them the remuneration of the labour of the employees is made wholly independent of the ultimate financial results of the business—results which depend, in the main, on the skill and industry, not of the workmen, but of their master.

The distinction between the various forms of piece-wage and of that method which is here called progressive wages, on the one hand, and Profit-sharing, on the other, is one to which far too little attention is paid by students of social reform. The reader is referred to the earlier chapters (VI. and IX.), in which he will find a full description of the different types of progressive wages, and in particular of Gain-sharing, as distinguished from Profit-sharing; and in which it is hoped that the distinction between bonus on output, irrespective of profits, and "bonus to labour" varying with profits, has been made sufficiently plain. When one compares bonus on output with bonus to labour, it is clear that the latter—the bonus promised by the co-operative method of Profit-sharing—is characterised by defects from which the former is entirely free. Nor are these defects important from the point of view of logic alone, but also from that of practical efficiency.

One important distinction between the wage-contract and an agreement for Profit-sharing is the superior legal efficiency of the former. If an employer withhold wages due, including, of course, any sums due in respect of a premium on

production, the employee can obtain the assistance of the law; but if the share in profits, to which a man is entitled under a profit-sharing scheme, is unpaid, can he recover it by legal proceedings? Most profit-sharing schemes expressly stipulate that the bonus is to be a mere gratuity, no legal rights in respect thereof being conferred upon the employee; in France it has been held that, under circumstances such as these, an employee cannot invoke the aid of the law in order to obtain his bonus; and it would appear from the remarks of Mr. Rawson that in his opinion an employee would, under any scheme containing a stipulation of this nature, be unable to recover his bonus in the courts of this country.* If that be so, is not the "moral gain to the workman in passing from the position of a mere wage-earner to that of an associate in profits," of which Mr. Sedley Taylor speaks,† accompanied by a material disadvantage, by no means unworthy of note?

But the most important of all the respects, in which this novel method compares unfavourably with the old-fashioned wage-system, is the manner in which Profit-sharing offends against that cardinal principle of industrial remuneration which demands "that every man shall receive his own reward according to his own labour." For it is quite possible that the workman who, in the hope of earning "bonus to labour," has done work 10 per cent. in excess of the normal standard, may, even under a liberal scheme of Profit-sharing, find that, instead of receiving an addition to his normal wages of, say 5 per cent., the bad management of his employer has reduced his bonus to so low a level that he has to be content with a supplement equivalent to only 2 per cent. on his wages, or that no bonus whatever is available. If I am to do 10 per cent. more and better work than I did last year, why not offer me

* "Some words such as those introduced in brackets [not of legal right but gratuitously] are wisely introduced into every set of profit-sharing rules, so as to maintain the employer's right to impose such restrictions as he may think fit, and to prevent as far as possible the risk of subsequent complaints by the employees against those restrictions. *They are clearly incompatible with the notion of a binding contract*, and it has been so held in the French Courts of Law" (*Profit-sharing Precedents*, p. 35, note *b*).

† *Report of Industrial Remuneration Conference*, p. 256.

a 10 per cent. increase in my wages, subject only to its being shown that my work exhibits a 10 per cent. improvement? * Why tempt a working-man to gamble by staking part of the reward of his labour upon the financial results of a business over the conduct of whose financial operations he is not allowed to possess any control, and would, perhaps, seldom be competent, even if he were allowed, to exercise any useful control? To invest in this manner in the enterprise carried on by his employers is a risky thing for a working-man, even when the investment is of a temporary nature only; that is, when the bonus is paid in cash at the end of the year. But, where, as is often the case, a large part of the bonus is placed to the credit of a Provident Fund, and, as such, becomes part of the permanent capital of the business, there it is clear that a working-man, whose savings are locked up in an unsecured investment of this nature, must, in very many cases, run a grave risk of losing his money.† Is the workman expected, before he accepts employment in a profit-sharing firm, to make enquiries from his stock-brokers or his bankers as to the standing of the concern and as to the reputation for business ability possessed by its directors? Or is he to "chance it?" We may well demur to inviting working-men to hazard their earnings in this manner, whether for one year or for forty.

Many of the British firms which have adopted Profit-sharing are houses of unimpeachable solidity; and, of course, it is the specially energetic heads of specially prosperous houses who, having at their disposal larger profits than their competitors, are the first to venture upon the experiment of stimulating the zeal of their employees by offering them a share in profits. Still, the frequency of financial disasters among the small number of British firms which have lately adopted Profit-

* The reader of Mr. Gilman's book will notice that in several instances Bonus-giving or Profit-sharing has been abandoned in favour of some system of progressive wages; *i.e.* Kaufbauern cotton-mills, Borchert Brass Works, Thode Paperworks, Berlin Anhalt Railway Co.

† Messrs. T. Bushill & Sons, in accordance with Clause 19 of their profit-sharing scheme (Appendix E *post*), have given security by a mortgage of real estate for the monies included in the Provident Fund. But it is hardly likely that the majority of employers would be found willing or able to follow this example.

sharing cannot have escaped the reader (*ante*, p. 170). What we have to consider is, how far the general adoption of this method would produce satisfactory results, if it were adopted, not in a few special and exceptional cases, but generally throughout the length and breadth of this Empire. One of the employees of a somewhat celebrated London firm, formed with the express purpose of giving to its employees a large share—no less than 55 per cent.—of its profits, but which during all the eight years of its existence has never yet earned profits sufficient to enable it to give one farthing as bonus to these employees, upon being requested by the manager to show his appreciation of the benefits, which the novel method was intended to confer upon him, by displaying a special degree of assiduity, replied that "he should prefer to take his bonus as he went along." This workman, who asked for bonus on output instead of bonus to labour, would appear to have had good grounds for preferring the substance of wages to the shadow of profits as the remuneration of industry.

If one final illustration of the inferiority of Profit-sharing to the ordinary wage-system may be permitted, the reader is requested to turn back to the account already given of the system of progressive wages in force in the metropolitan docks under the name of "co-operative piece-work" (*ante*, pp. 92-95). There, it will be remembered, each group of dockers receives, in addition to a low fixed time-wage, a premium upon assiduity known by the name of "plus," with the result that the men thus employed merit and receive an addition to their normal wages of something like 50 per cent., while the work is admittedly carried on with much greater efficiency than before the introduction of this form of collective progressive wages. Now, while we must admit that this system of wages has produced an improvement in the men's work quite as great as any scheme of Profit-sharing could have produced, let us enquire what the position would be, if these dockers were asked to abandon this form of progressive wages in favour of a scheme of Profit-sharing framed on the usual lines, and promising them, say, one half of all the profits earned by their employers exceeding, let us say, 10, or even 6 per cent.

Take the men employed by a dock company which happens to own old docks unfitted to receive vessels of modern construction, and which, therefore, yield almost no profit at all, or by a dock company which, having purchased under singularly disadvantageous circumstances land in a singularly disadvantageous position, then proceeded to construct in a singularly disadvantageous manner new docks which also yield virtually no profit at all. Is it not abundantly clear that, speaking broadly, working-men will be acting with great wisdom, if they prefer, wherever possible, to "take their bonus as they go along?"

At the same time, it is right to remark that there are many cases, in which the method of Profit-sharing surpasses in important respects any form of the ordinary wage-system. I refer to those cases, in particular, in which it is practically impossible to measure the extra value of special zeal and of special care otherwise than by the figures of the profit and loss account of the firm. In all probability the number of such cases is by no means so large as is generally supposed. The reader, who possesses a certain degree of familiarity with the complex and minute calculations which are, as a matter of fact, made by almost every competent manufacturer, both in estimating the probable cost of production before work is done, and in checking the actual cost incurred, will readily grant that in a very large number of cases no considerable difficulty would be experienced, if it were desired, with a view to stimulating the zeal of employees, to introduce some appropriate system of bonus on output or progressive wages, and, in particular, that form of progressive wages which is known as collective Gain-sharing.

In cases suitable for its application the system of paying bonus on the efficiency of labour irrespective of the rate of profit realized appears superior in point of fairness and efficacy to the novel method of paying bonus to labour contingent on and varying with the profits of a business. But, in cases in which practical considerations make the introduction of a system of progressive wages impossible, there it is indisputable that, when the circumstances admit of its adoption, the method of Profit-sharing may, in the true interests of both the

employees and the employer, reasonably be preferred to any other.*

Having now stated his own estimate of the value possessed by the method of Profit-sharing, it remains for the writer to set forth the grounds upon which objection is raised to this method by employers on the one hand, and by employees on the other.

It is said, in the first place, by employers, that it is inequitable that the working-man should share in profits, unless he also shares in losses; and that arrangements satisfactorily securing the participation of employees in losses as well as profits would be difficult to make, and would be wholly unacceptable to the employees. The validity of this objection must depend chiefly upon the basis upon which Profit-sharing has been adopted in a given case. If the share in profits given to the employees does not come wholly out of extra profits produced by extra zeal, and is not given in exchange for net advantages, other than extra zeal, accruing to the employer (such as accrue, for example, if Profit-sharing "holds" the employees to the firm), if, in short, the bonus is a free gift, then an employer may reasonably ask that those who benefit by this gift in good times should help him to bear the losses incidental to bad times.

Before we deal further with the question of loss-sharing by employees in a case like this, attention must be drawn to the fact that such a case is one altogether outside the purview of the theory of Profit-sharing. For the "expectation that a direct interest in ultimate results will stimulate to improved exertion, and thus open an entirely new source of profit, is the economic basis on which the participating system rests."†

* Some of the principal advantages which are usually claimed for the method of Profit-sharing are not noticed in the text for the reason that these advantages have, in reality, no necessary connection with this method. I refer, in particular, to the promotion of thrift and the provision made for sickness and old age which are found when part of the bonus to labour is retained as a contribution to pension and provident funds. It is clear that deferred pay may exist quite as well in the form of wages as in the form of a share in profits; and, as has been already noticed (*ante*, p. 154) many non-profit-sharing firms promote and even enforce thrift and providence by establishing funds of this nature.

† Mr. Sedley Taylor, *Report of Industrial Remuneration Conference*, p. 256.

That is to say, the bonus to labour is, not a free gift coming out of the extra profits due to good times, but a *quid pro quo* coming out of extra profits due to special assiduity on the part of the workpeople. Now, so far as a profit-sharing scheme is constituted upon these, the orthodox lines, it is obvious that the employee does, in fact, help to bear losses in bad times; for he does, say, 10 per cent. more than the normal amount of work, and, where profits are low or *nil*, receives little or no remuneration in exchange for these special services.* Really, if it is suggested that this servant, besides giving his labour for nothing, ought also to provide cash (*e.g.* by contributing to a Reserve Fund) towards the payment of his master's losses, a protest must be raised against so inequitable a proposition. Such a demand on the part of the manufacturer would be, at the least, as unreasonable as if he were to ask the dealers, from whom he buys his raw material, to contribute to his Reserve Fund.

If, however, Profit-sharing is to be regarded, not as a system under which extra zeal is purchased by a bonus, but as a system under which the employer, by generous gifts in good years, allows his men to share in the windfalls of industry, then it has already been admitted that arrangements ought, in fairness to the employer, to be made for the employees to contribute towards meeting losses. But, at the same time, the working-classes will probably be well advised if they decline to have anything to do with a bargain of this kind, from which, in the long run, they will have little or nothing to gain. Nor are working-men likely to ignore the fact that, if they are desirous of benefiting by the fluctuations of commerce, this is a desire for the fulfilment of which the non-co-operative wage-system offers opportunities vastly superior to any which are likely to accrue from this proposed co-operative system of Profit-and-loss-sharing. By means of the ingenious automatic machinery of the sliding-scale, the miner, although a "mere wage-earner," is enabled to share in the prosperity of

* This argument will probably fail to convince those who believe that every servant is under the obligation of rendering, in exchange for his wages, the best services in his power. But, as a fact, by a very large number, probably by a considerable majority, of employees the existence of any such obligation as this is in no way recognised, and would, indeed, be strenuously denied.

his master, and, what is yet more important, in the advantages which "good times" confer upon the trade generally. For, under the sliding-scale, the miner is entitled to receive an increase in remuneration proportionate to the rise in prices, even though the particular coal-master by whom he is employed has, by making imprudent contracts for "forward delivery," at old, low prices, lost the benefit of the rise. Even where no sliding-scale exists, the same result is arrived at by demanding and obtaining a general rise in wages as soon as the state of trade leaves the employer "a good margin." On the whole, it is beyond question that the method of Profit-sharing, if it is to be looked upon as a means of making the remuneration of labour correspond with the fluctuations of commerce, is inferior in point of equity and expediency to the ordinary, non-co-operative wage-system.

Another reason, which is urged against the adoption of Profit-sharing, is that there is no probability that this method will succeed in diminishing the violence or the frequency of labour disputes. Thus, an employer of more than ordinary acuteness, Mr. W. Denny, in the preface to his *Worth of Wages*, says, "Industrial Co-partnerships have been much praised, and are with some people confounded with co-operative production. To me they seem utterly hopeless, and they have certainly so far not been successful. They contain the germ of the old dispute of how much the workman is to get and how much the master, and the contest over this is simply transferred from the trade in general to the firm in particular" (p. 6). Mr. Jules Helbronner, member of the Labour Commission of Canada, remarks, "Another objection is that Profit-sharing will not prevent strikes; to-day strikes are organized for an increase of salary, to-morrow we shall hear of them for an increase of the *quantum* of Profit-sharing" (*Report on the Social Economy Section of the Paris Exhibition*, p. xxix).

It is certainly hard to see on what grounds we can reasonably be asked to expect that Profit-sharing, if carried out consistently with the theory of this method, will prevent strikes. Profit-sharing implies that the employee shall, to start with, receive wages at the ordinary standard rate. Now,

strikes take place in order to obtain an increase in, or to resist a reduction of, the standard rate of wages, and what that standard rate is to be, would, even if Profit-sharing were universally adopted, be a question to be fought out between the buyer and the seller of labour. If, on the other hand, it is hoped that a house, which has adopted Profit-sharing, will be able, without any fear of a strike on the part of its employees, to resist a demand for an increase of, or to enforce a reduction in, the standard rate of wages, which demand would otherwise have had to be conceded, or which reduction could otherwise not have been enforced, then this hope must be based upon the assumption that the bonus to labour is accepted in lieu of, and not in addition to, normal wages—an assumption contrary to the root-idea of the Profit-sharing method. The fact of the matter is, that those who advocate Profit-sharing with a hope like this, regard the gift of bonus to labour as a sort of "sop to Cerberus," or as the golden apples which Atalanta stopped to pick up, and so lost the race. But will the working-man, in the days which are to come, consent to be sopped and stopped by the gift of bonus ?

It cannot be denied that there is a certain type of working man in whose eyes the chance, however remote or visionary, of sharing in profits possesses attractions greater than those offered by any rise in mere wages. While the working-classes in general object to the scale of the remuneration which they receive as unduly low, still more does this considerable section of the working-classes object to the form of this remuneration as inconsistent with the dignity of labour. These men honestly share the conviction which Mr. Holyoake, the historian of the Co-operative Movement, once expressed to the present writer, in these words, "All wages are charity"; and what these men yearn for is, not so much a rise in wages, as a radical alteration in the position of the working-man, which shall convert him from a "mere wage-earner" into an "associate," entitled to participate in that coveted fund, hitherto monopolized by the middle-class capitalist—the profits of industry. To persons imbued with an ambition of this character, the benefits—shadowy as they may turn out to be—promised by this novel and elaborate method of "Industrial Partnership,"

especially when coupled with the constitution of some sort of consultative committee of the employees (which, of course, is never allowed to possess any but a nominal influence in the management of the concern), will appear infinitely more attractive than any advantages, however substantial, which might be secured for the workers by any form, however equitable, of the simple, old-fashioned, well-tried, but despised and detested wage-system. Outside of the world of the working-classes, the conversion of the profit-making *entrepreneur* into a salaried official is a matter of more and more frequent occurrence (the small shop-keeper being turned into the manager of a department in the service of "the Stores," or of an Universal Provider, and the owners of the big breweries, and so on, becoming the managing directors of the limited companies to which they have sold their concerns). Nor do the persons thus degraded into "mere wage-earners" appear to feel any very acute degree of humiliation. But the love of independence which characterises the working-classes not seldom causes them to chafe under the yoke of service, and to embrace with avidity the opportunity of posing as partners with their masters, which is afforded them by this ingenious system of Profit-sharing. To those working-men who share these views it is useless to point out that it will pay them better, on the whole and in the long run, to leave the profits to their masters, taking good care that these profits are as low as possible; or to urge that, if your master pay you in wages "a full share of the products of the joint exertions of labour and capital,"* to be "a servant with this clause" is no disgrace. These men hate the very name of wages. Profit is the forbidden fruit of industry after which the soul of these wage-earners hankereth continually.

On the other hand, by a very large number of working-men the method of Profit-sharing is regarded with profound suspicion, indeed, in many cases, with extreme aversion. Whatever may be the merits or the demerits of Profit-sharing so far as it affects the interests of the employer, it is certain

* These are the words, already quoted, used by Mr. Benjamin Jones in speaking of the co-operative cotton mills, all the profits of which go to the capitalist (*Report of Co-operative Congress*, 1889, p. 21).

that the possibility of the general introduction of this method depends to a large extent upon the degree of favour or disfavour with which it is viewed by the working-classes. "You may take a horse to the water," it is said, "but what if he will not drink?" It behoves us, therefore, to investigate with care the objections which are raised by working-men to the method now under consideration.

Let us first examine the grounds of the opposition to Profit-sharing on the part of the trade unionists. That these men regard with repugnance a method expressly designed to promote intensity of exertion is a fact easily explicable upon the grounds mentioned in a previous chapter (V.), in which it has been attempted to show why working-men dislike piece-work. But, in addition to their repugnance to Profit-sharing as a system designed to "force the pace," the trade unionists object to Profit-sharing, because it has in several well-known instances been adopted with the express purpose of defeating trade union organizations, and because the inevitable tendency of all exceptional methods is to get the men working under them out of line with their fellows. No one, who possesses the smallest degree of familiarity with trade combinations, can doubt the importance of this last objection. Every combination, whether of masters or of men, exists for the purpose of securing the best terms available, and of securing the same terms for all its members, private arrangements between particular masters and particular sets of men being strongly discouraged as contrary to the spirit, and inconsistent with the success of the organization. Just as a masters' association, if it is to be successful, must be supported by all employers alike, even by those who are on the best of terms with their men, and just as a masters' association expects one of its members to assist it, if a general lock-out is declared, by discharging his workpeople, even though this employer may have no dispute with his employees, so too, if a Trade Union is to be successful, it must be vigorously supported by all the men in the trade, all of whom must, not only keep up their subscriptions in time of peace, but must join in any general strike which may be declared. But the trade unionists believe that a danger exists, lest the exceptionally treated employees

of a profit-sharing firm, bribed by the gift of bonus, and liable to penalties, in some cases heavy penalties, if they remain faithful to their comrades, may exhibit but a lukewarm loyalty to the cause of labour.

Besides the militant trade unionist workmen, that very shrewd class of working-men capitalists, the co-operators, regard Profit-sharing with marked disapprobation; so much so that, although Profit-sharing forms an essential part of the professed principles of Industrial Co-operation, yet by far the greater part of Industrial Co-operation is carried on upon the system of altogether excluding the employees from participation in profits. No other class of persons can possibly be more thoroughly competent to judge of the real value of a method of industrial remuneration than are our working-men co-operators —men who are, at one and the same time, servants and masters. In considering the claims of Profit-sharing to be regarded as an improvement upon the ordinary wage-system, it is, therefore, necessary to attach a very large measure of importance to the fact that our working-men, when they become themselves employers of labour, for by far the most part, resolutely decline to adopt this method of remuneration, and in the treatment of their own employees adhere with unswerving closeness to the unregenerate, non-co-operative wage-system.

CHAPTER XXIII.

THE THEORY OF INDUSTRIAL CO-OPERATION.

We now pass from Profit-sharing to Industrial Co-operation. As has been pointed out in a previous chapter (XVII), Profit-sharing is a method invented by the middle-class mind in conformity with the ideas of the middle-classes, while Industrial Co-operation is a method conforming to a democratic, working-class ideal. Profit-sharing proposes to leave the control of the business in the hands of the employer and to give to the operatives a part only of the profits of the business; but Industrial Co-operation proposes that the entire control of the business shall be in the hands of the workers themselves—the workers, that is, engaged in the co-operative business—and that the whole of the profits shall go to these workers. Industrial Co-operation, therefore, implies, in the first place, that the workers shall be self-employed. Further, since men cannot owe wages to themselves, the realization of the ideal of Industrial Co-operation implies the total abolition of the wage-system. A man working in a co-operative workshop may, indeed, nominally draw "wages" prior to the quarterly division of the net profits; but such "wages" are, obviously, not real wages (*i.e.* sums due from a master to a servant and payable in full, even if no net profits are earned), but sums drawn as "subsistence-money"—advances on account of the share in the total gross profits to which the self-employed workman will ultimately be entitled. The method of Industrial Co-operation will thus be seen to involve, on the one hand, the complete abolition of the employer and, on the other hand, the complete substitution of profits for wages as the remuneration of labour.

In order that the reader may be in no doubt respecting the accuracy of this description of the co-operative method it may be well to justify it by a reference to the past history of Industrial Co-operation and to the current authorities upon this subject. What, as a matter of historical fact, is the nature of the co-operative method, is abundantly clear. Though Robert Owen was the theoretic father of Industrial Co-operation in this country; and though there were co-operative societies in existence long before the opening of the Toad Lane Store in 1844; yet the practical pioneers of the British Co-operative Movement of to-day were the twenty-eight members of the "Equitable Pioneers" Co-operative Society at Rochdale. The aims of this society were, from the first, declared to include the employment of its members; and, as soon as they had obtained the necessary capital (in 1854), the Rochdale Co-operators commenced co-operative manufacture by starting a cotton-spinning-mill, declaring—"The object of the Rochdale Co-operative Manufacturing Society is to provide *arrangements by which its members may have the profits arising from the employment of their own capital and labour.*"*

The method of organization and remuneration contemplated by Industrial Co-operation may, therefore, be correctly defined as an arrangement by which a body of persons may employ themselves, using their own capital, and dividing the profits in equitable proportions previously agreed upon between them. This is the method, to which the name of "co-operative" is given by all the economists who have written about Industrial Co-operation.† This is the method indicated by that "conciliation of the conflicting interests of the capitalist, the worker and the purchaser, through an equitable division among them of the fund commonly known as profit" which the working-men co-operators have declared in the first rule

* Cited by Mr. Holyoake, *The Co-operative Movement To-day*, p. 92.

† See *The Wages Question*, by Francis A. Walker, edition of 1886, pp. 262, &c.; the same author's *Political Economy*, 3rd edit., pp. 341, &c.; *The relation of Labour to the Law of To-day*, by Lugo Brentano, American translation, pp. 98, &c.; and compare *Le Società Cooperative di Produzione*, by Ugo Rabbeno, pp. 423, &c.

of the Co-operative Union* and in repeated resolutions of their annual Parliament, the Co-operative Congress,† to form part and parcel of the very essence of Industrial Co-operation. It is by the adoption of this co-operative method that Industrial Co-operation proposes to achieve its central purpose of securing—to use the emphatic words of Mr. J. C. Gray, the secretary of this Union—"that the worker shall be elevated to the position of partner and profit-sharer, instead of being the hired machine of the capitalist and consumer."‡

Leaving the question of the "self-employment" of the workers for future consideration, let us now examine the theory of Industrial Co-operation in regard to Profit-sharing. For this purpose we will turn to the passages from Mr. Holyoake's *History of Co-operation*, which are quoted in explanation of the co-operative ideas by Professor and Mrs. Marshall in their *Economics of Industry* (pp. 220-221). "In former times," Mr. Holyoake says, "Capitalists hired labour, paid it its market price and took all profits. Co-operative labour proposes to reverse this process. Its plan is to buy capital, pay it its market price, and itself take all profit."§ Thus a co-operative business is one "in which labour hires capital, devises its own arrangement, and works for its own hand."‖ Workmen who intend starting a co-operative factory "first save, accumulate, or subscribe all the capital they can as security to capitalists from whom they may need to borrow more, if their own is insufficient. . . . They hire, or buy, or

* Cited by Mr. Holyoake, *The Co-operative Movement To-day*, p. 92.

† See Congress Reports 1877, 1887, 1888, and 1889. The resolution passed by the Congress of 1889 "by a large majority" runs thus: "That this Congress re-affirms the principle that by whomsoever productive enterprises were established, by either the Wholesale or the distributive societies, or the organizations of the workmen themselves, an alliance be formed on equitable conditions, for the sharing of profits and risks between the worker, the capitalist, and the consumer, and that the United Board be requested to instruct the productive committee, along with the general secretary, to enter into communication, first with the Wholesale Society, and secondly with other societies carrying on production, to bring about the inauguration of this principle, and to report to the next Congress the result of their negotiations."—(*Congress Report*, p. 88.)

‡ *Co-operative Life*, p. 113.

§ *History of Co-operation*, by G. J. Holyoake, Vol. II., p. 87.

‖ *Ib.* p. 122.

build their premises; engage or appoint managers, engineers, designers, architects, accountants, or whatever officers they require, at the ordinary salaries such persons can command in the market, according to their ability. Every workman employed is paid wages in the same way. If they need capital in excess of their own, they borrow it at market rates according to risks of the business—the capital subscribed by their own members being paid for at the same rate. Their rent, materials, salaries, wages, business outlays of all kinds, and interest on capital, are the annual costs of their undertaking. All gain beyond that is profit, which is divided among all officers, and workmen, and customers, according to their salaries or services."*

The contrast which exists between the middle-class theory of Profit-sharing and the democratic, working-class theory of Industrial Co-operation will now be obvious. Middle-class Profit-sharing proposes, that, while the workers shall receive, in exchange for special advantages derived by their employer from the services rendered to him by these employees, a share in the profits of the business, the amount of the profits received by this employer shall remain at the least as high after, as before, the adoption of that method of remuneration. But Industrial Co-operation proposes to increase the remuneration of the "self-employed" workers by putting into their pockets profits which would otherwise have gone to their employers.

So much as to the source from which is to be derived the share in profits which Industrial Co-operation proposes to distribute among the workers. We now ask, upon what principles that distribution is to take place, and will find our answer in the words of Mr. Benjamin Jones, the secretary of the Southern Section of the Co-operative Union, and joint author with Mr. A. H. Dyke Acland, M.P., of that recognised text-book, *Working-men Co-operators*. "The following division seems to me, after long and careful study, to be a near approach to a perfect standard for productive associations. The purchases of a consumer release the capital locked up in the stock-in-trade. It is therefore equivalent to so

* *History of Co-operation*, Vol. II., pp. 123-124.

much capital, and the annual amount of purchases should share the profits in the same proportion as would the like amount of capital. A working-man is like a horse in being live capital. In the case of slaves, the master owns both the man and the horse, and the market settles the capital value of each. In the case of the British working-man, the fact that he owns himself makes him none the less equivalent to a given amount of capital. This amount may be arrived at by considering his yearly wages as the interest on his capital value. Dividing the wages by the rate per cent. of interest allowed on capital, the result, or quotient, is the number of hundreds of pounds that the working-man may be said to be worth. For instance, with interest at 5 per cent. a man with £50 a year would be equal to £1,000 of capital; and with interest at 6 per cent. a man at £78 a year would be equal to £1,300 of capital. Having thus ascertained the value of the worker, the customer, and the capitalist, in one common denominator—capital—the profit could be divided among them in proportion to the amount of capital each individual represented."*

* Lecture, "What is meant by Co-operation?" *The Claims of Labour*, p. 60. See these principles of Profit-sharing set forth also in *Co-operative Production*, by J. C. Gray, the present secretary of the Co-operative Union, pp. 9 and 10; and compare *Manual for Co-operators*, edited by Thomas Hughes, Q.C., and E. V. Neale, the late secretary of the Co-operative Union, and published in pursuance of a resolution of the Co-operative Congress, pp. 142-143.

CHAPTER XXIV.

THE PRACTICE OF INDUSTRIAL CO-OPERATION.

The manner, in which the co-operative principle of giving to the worker an equitable share in "the fund commonly known as profit" is carried out by the working-men co-operators, remains to be considered; and it will be necessary to describe briefly the different forms in which Industrial Co-operation exists.

First we have the companies owning the ninety odd co-operative cotton-mills at Oldham, with a total capital of between £8,000,000 and £9,000,000, divided into shares of £1 to £10. As is the case in regard to British Industrial Co-operation generally, "the suffrage in these companies is democratic, *i.e.* one man, one vote. In many, perhaps the majority of instances these joint-stock companies were started by working-men";* and among their present shareholders are included some thousands of working-men,† who—it is not unworthy of remark—prefer to hold shares in mills in which they are not themselves employed.‡ The following is the

* *The Co-operative Movement*, by Beatrice Potter, p. 126, *n.*

† It is said that the shares in these co-operative factories are gradually passing out of the hands of working-men into those of middle-class capitalists. The evidence given before the Labour Commission on June 26th, 1891, by Mr. W. Mullin and Mr. G. Silk points to this conclusion.

‡ See *Working-men Co-operators*, by Arthur H. Dyke Acland, M.P., and Benjamin Jones, p. 92. It was stated in 1885 that "not more than 2 per cent. of the shares of any one mill are now held by the workers in that mill" (*Report of Industrial Remuneration Conference*, p. 307). Mr. Mullin, when asked before the Labour Commission what proportion of workmen n a

account of the Sun Mill given by Miss Potter. "In this instance workers were largely shareholders, and at the outset a resolution was passed, insisting that shareholders and their families should be preferred for employment. . . . I am informed at the present day that few, if any, of its employees happen to be shareholders. Profit-sharing with the principal employees was introduced in 1869; in 1875 it was discontinued. . . . Mr. Marcroft, the historian of the Sun Mill, adds that the recipients of bonus had been reduced in their wages, and that on its discontinuance their wages were raised 20 per cent."* This mill, says Miss Potter, serves as a type "of the general history of cotton factories primarily established in the interests of the actual workers. At the present all profit-sharing schemes have been abandoned in Working-class Limiteds."†

We come next to the co-operative associations (with few exceptions established, not under the Joint-stock Companies' Acts, but under the Industrial and Provident Societies' Act, 1876) included in the Returns annually published by the Co-operative Union, from the last of which the figures‡ given in the subjoined table are taken.

co-operative mill would be shareholders, replied, "I do not think there would be 1 per cent. among the workmen. There might be amongst the overlookers —the managers. I am not counting them."

* *The Co-operative Movement*, pp. 129, 130.

† *Ibid.*, p. 130. Of late years it has been somewhat the custom not to include these Oldham Mills in speaking of Industrial Co-operation. But that they were originally considered as co-operative is proved, and that they ought still to be so considered is maintained by Mr. Benjamin Jones, one of the highest authorities on this subject: see his speech as Chairman of the Co-operative Congress of 1889 (*Report of Congress*, p. 21). It is to be noted that these joint-stock companies have formed a purchasing federation (the Cotton Buying Company, Limited) which supplies them with raw material in a manner analogous to that in which the Co-operative Wholesale Societies supply the stores; a fixed interest of 7½ per cent. is paid on share capital, all surplus profits being divided between the purchasers; the "bonus" received by shareholders being double that paid to non-shareholders.

‡ The figures are to be found in the *Report of the Co-operative Congress of* 1891, p. 149.

TABLE I.

(Showing total number of associations included in the Returns of the Co-operative Union, May, 1891.)

	Nature of Societies.	Number of Societies.	Number of Members.	Sales in 1890.
				£
A.	"Distributive" Societies ...	1,418	1,026,912	28,276,337
B.	English Wholesale Society...	1	941	...
	"Distributive"	...	...	7,087,796
	"Productive"	...	...	341,277
C.	Scottish Wholesale Society...	1	261	...
	"Distributive"	...	...	2,366,692
	"Productive"	...	...	108,646
D.	"Supply" Associations* ...	15	61,727	2,867,306
E.	"Productive" Societies† ...	119	27,214	2,167,656
Total		1,554	1,117,055	43,215,710

To give any detailed account of the past history and of the present position of these, the most important examples of Industrial Co-operation, would be beyond the scope of a work dealing only with the method of remuneration. What, however, it will be proper to do, will be, in the first place, to briefly describe the manner in which these societies carry out "the conciliation of the conflicting interests of the capitalist, the worker, and the purchaser, by the equitable division among them of the fund commonly known as profit."

It will be necessary, at the outset, to explain the classification adopted by the Co-operative Union and followed in Table I. above. The Societies there termed "distributive"

* Among these "Supply" Associations are included several joint-stock concerns of a middle-class type, such as the three Civil Service Societies, the Coal Co-operative, and the Agricultural and Horticultural, the last of which appears in the list of profit-sharing firms, *ante*, p. 178.

† Including W. Thomson & Sons, a middle-class concern which appears in our list of profit-sharing firms.

are formed primarily to retail to their customers (who in most cases hold shares in the "store") groceries and other articles not manufactured by these associations. But some of these "distributives" possess "productive" departments, in which they manufacture a certain part of the goods which they sell. The two Wholesale Societies are confederations formed by the "distributives" for the purpose of supplying the latter. The greater part of the articles sold by the Wholesales are bought in by these societies from outside manufacturers and dealers; but each Wholesale owns certain "productive" departments—factories in which a part of the goods required are produced. The name of "Supply Association" is given to a small number of associations formed for "distributive" purposes. Class E consists of associations carrying on various branches of manufacture.

It should be remarked that the distinction between "distribution" and "production"—a distinction on which so much emphasis is laid by the working-men co-operators—can scarcely be considered a satisfactory basis of classification. The only "production" that is possible is the production of utilities, and includes "distribution."* The traveller, who sells the boots of a "productive" society to a "distributive" association, is just as much a producer as are the men who made them; while the salesman, who sells these boots across the counter of the "distributive" store, possesses a no less valid claim to be considered a "productive" worker. The truth is that the only really useful classification of co-operative societies is that which divides them into consumers' associations (*i.e.* societies which are carried on by purchasers of goods in order to promote their own interests), on the one hand, and producers' (*i.e.* societies carried on, or intended to be carried on, by persons engaged in the manufacture of goods in order to promote their own interests) on the other; to the former category belong those societies which in Table I. above are included in Classes A, B, C, and D, while to the

* "The dealer in fish helps to move on fish from where it is of comparatively little use to where it is of greater use, and the fisherman does no more" (*Principles of Economics*, by Professor Alfred Marshall, 2nd edit., pp. 114, 115).

latter category belong the greater number of the societies included in Class E.

Turning now to the division of "the fund commonly called profit," we find that the consumers' societies, for the most part, while giving to the capitalist a fixed rate of interest, generally 5 but sometimes 4 per cent., allot the whole of their profits to their customers in proportion to the amount purchased by each as rebate, or "dividend on purchase," shareholding customers usually receiving a dividend at double the rate paid to non-members. With regard to the producers' societies, in those cases in which Profit-sharing with employees is practised, we find that, in the division of their profits, the greatest possible divergence exists between the methods adopted by different associations. As a rule, the purchaser gets back a part of the price of the goods which he has bought in the shape of a dividend, a percentage of the profits, the amount of which is different in different cases; by some, however, of these societies the claim of the customer to share in the profits is entirely ignored. Capital, in all cases, takes a fixed rate of interest, generally from 5 to 7½ per cent., sometimes without any further right to share in the profits; very often, however, capital takes both a fixed interest, and also a proportion of the profits, the amount of which varies widely in different cases. With regard to the proportion of profits allotted to the workers, the most bewildering variety of methods of division obtains. In some cases a certain proportion, generally from 30 to 40 per cent., of the surplus profits (remaining after payment of the fixed interest on capital) is given to the workers. Sometimes, again, these profits are divided between shareholders and workers in the proportion which the capital bears to the aggregate sum of the wages earned in the year by the employees, or in that which the fixed interest on the capital bears to the total amount of the wages, rateably at so much in the pound; or at the rate of two on each £1 of interest to one on each £1 of wages; in other cases they are divided between the workers and the customers according to the relative amount of wages and of purchases. In short, the attempted "equitable division of the fund commonly known as profit," leads to a chaotic

confusion, in which it is absolutely impossible to discover any principle whatever.

In order to explain as clearly as possible to what extent the co-operative method of Profit-sharing is actually practised in what Miss Potter terms "the anti-Profit-sharing British Co-operative Movement,"* and to show, what has been the actual increase in the remuneration of the labour of the co-operative workmen which the adoption of this method has hitherto produced, it has seemed proper to state in detail the facts (so far as the present writer has been able to ascertain them) in relation to all the co-operative associations whose names appear in the last of the returns of the Co-operative Union (for 1890); but no attempt will be made to supply particulars in respect to those very numerous associations founded on a profit-sharing basis, which have been wound up, nor in regard to those cases in which Profit-sharing has been abandoned by co-operative societies.

Taking, first, the question of Profit-sharing, so far as it affects the salesmen, &c., employed in the "stores" (Class A), we find that the Co-operative Union very recently instituted, in respect to this matter, a systematic enquiry intended to embrace the whole of the 1,418 "distributive" societies; but "the replies were not very numerous." The probability is that societies which did not reply may, for the most part, be taken to be societies which violate the principles of Industrial Co-operation, and transgress the rules of the Co-operative Union, by declining to share their profits with their employees. We are told that "about sixty societies state that they share profits with their employees, but to what extent and in what manner it is almost impossible to determine. Many societies, however, state that their employees get the same amount per pound on their wages as is paid to the members on their purchases." It should, however, be noted that the question asked by the Union was, "Is there any system of Profit-sharing in force in your district, either by way of *commission*, bonus, or otherwise?" Thus, it is likely that some of the affirmative replies refer, not to Profit-sharing, but to the

* *The Co-operative Movement*, p. 184.

payment of commission on sales—a practice by no means identical with the payment of bonus to labour, *i.e.* the allotment to employees of a share in profits.

That a certain number of co-operative societies of Class A practise Profit-sharing by giving to their servants a bonus at the same rate as the rebate or "dividend" paid to purchasers, is all that can be ascertained. This dividend is in a fairly successful society at the rate of from 5 to 10 per cent.; sometimes it reaches 12½ per cent., and occasionally even a higher figure.* Whether, with regard to the employees of those co-operative societies which pay bonus to labour in "distribution," it could safely be asserted that the whole of this bonus is a clear addition to their normal remuneration is extremely doubtful. For with regard to shop assistants there is no recognised standard rate of pay; and there can be no question that in a considerable number of instances the employees of these profit-sharing co-operative societies consent, in consideration of their right to receive bonus to labour, to accept lower wages than they would otherwise demand and obtain.†

Hitherto I have been dealing with Profit-sharing so far as it concerns salesmen, &c.; with respect to the workmen employed in the "productive" departments of "distributive"

* The rate of dividend is, as a rule, higher in places where the store has not to face vigorous competition on the part of private traders, and is generally much higher in country places than in large towns.

† At a recent quarterly meeting of the English Wholesale Society a delegate said that in the store which he represented they had tried Profit-sharing. "The reason they dropped it was this. When they wanted employees they advertised, and, when an applicant came before the board, he was asked, 'What salary do you want?' One would say 'I will come for 30*s* a week.' Then he was asked—and this was a board of men from the working-class—'Are you aware that we pay bonus to labour?' 'I was not aware of that; how much?' 'Generally ten per cent., 2*s* in the pound.' 'Oh, well, if you pay 2*s* in the pound, I will come for 27*s* per week.' And then they say they are paying bonus to labour." The Chairman said that he knew the same thing was done in other societies (*Co-operative News*, June 20th, 1891). I am acquainted with a case in which a co-operative store admits its shop assistants, but not its workmen, to a share in profits, the reason given for the exclusion of the latter being that these operatives belonged to a strong Trade Union and so had to be paid full wages; therefore they could not expect to receive in addition a share in profits.

societies the comparative infrequency* of the payment of bonus to labour may be judged by the facts stated in the Report of the Co-operative Central Board for 1889. An enquiry having been addressed to each of the societies included in the Co-operative Union (798 in number), asking whether it "admitted the workers employed by it productively to any share in the profits," only 199 societies sent any reply, of which only 61 possessed "productive" departments. Out of these 61 societies 10 only claimed to practise Profit-sharing; but the claim of 3 must be disallowed (2 cases of commission on sales, 1 of extra-wage, not contingent on profits), while 3 more give no details as to the method which they practise. The remaining 4 are alone clear cases of Profit-sharing; though the amount of the share allotted to the workmen employed in these "productive" departments is indicated in 2 only of these cases,† being in each of these cases at the same rate as that paid to the customers as "dividend on purchase."

Such being the only statistics available on this point, it must suffice to say that a certain proportion, probably a somewhat small proportion, of our 1,418 "distributive" co-operative societies practise Profit-sharing in regard to the persons employed in their "productive" departments, the ratio of bonus to wages being in many, if not in most, cases the same as that of the "dividend" on the purchases of a customer, say usually from five to ten per cent., but sometimes considerably higher. Here, again, as in the case of the shop assistants, comes in the doubt whether some part or the whole

* Speaking generally, with regard to the various branches of manufacture carried on, whether in the "productive" departments of "distributive" societies, by the Wholesales, the Supply Associations, or the "Productives," Mr. Benjamin Jones, in his address as Chairman of the Co-operative Congress of 1889, stated that more than ninety per cent. of this co-operative production was carried on upon a non-profit-sharing basis (*Report*, p. 20): see also his letter to the same effect in *Times*, August 18th, 1891. The total number of the persons employed in "production" by these co-operative societies of every kind is estimated at about 15,000.

† The two societies remarkable for the explicit character of their replies are two baking societies, which were up to 1889 considered to be "distributive," but which appear as "productive" societies in the Returns for 1889 and 1890, and are therefore included in Table II., *post*.

of this bonus is not in lieu of, rather than in addition to, the normal rate of wages. Without attaching too much importance to the accusation of paying low wages made against the co-operators at, and to a large extent endorsed by the action of, successive Trade Union Congresses, it is yet difficult to feel convinced that the workmen employed by these stores are in no case induced by the promise of bonus to submit to receive a lower rate of wages than they could and would otherwise obtain. Certainly, the assumption that bonus is accepted in lieu of wages is much more likely to be correct in the case of a co-operative store owned and managed by working-men than in that of an ordinary business. For in the latter case Profit-sharing is a novelty, and one regarded with much suspicion by the working-classes; while the promise of a bonus averaging, say, seven and half per cent. on wages, possesses great force and attractiveness for persons accustomed to the announcement year after year of the "dividend on purchase" of 1*s* 6*d* in the pound declared by the local co-operative society, and familiar with the details of its balance-sheets, the publicity given to which provides an ample guarantee of good faith. In regard, therefore, to the workmen employed by the small minority among these "distributive" societies, which give a share in profits to their employees, it would scarcely be accurate to state that these operatives invariably receive the whole of their bonus of, say, five, ten, or twelve per cent. as a clear addition to their normal remuneration.

The English Wholesale Society, by far the most important of all our co-operative societies, gave Profit-sharing a short trial, but does not now allot any share in its profits to its employees. The Scottish Wholesale has long given a share in its profits to its employees (1,578 in number at the end of 1890). Turning to the statement contained in the *Wholesale Societies' Annual* for 1891 (p. 126) we find that the ratio of bonus to wages from the quarter ending November 19th, 1870, to the quarter ending December 25th, 1886 (both inclusive), averaged roughly* 3.8 per cent. From the same source, coupled with the Returns of the Co-operative Union

* The details contained in the *Annual* are not quite complete.

for 1890, we gather that in the four years 1887-1890 the average ratio of bonus to wages has been in the "distributive" departments 2.7, and in the "productive" departments 3.1 per cent.

Coming to Class D, I believe that one only of the "Supply" associations accords to its employees the right to share in its profits. This is the Agricultural and Horticultural Association, which, since 1874 has practised Profit-sharing in relation to all those employed in its works, but which has been already mentioned as an ordinary profit-sharing business of the middle-class type, and is not in any way an example of Industrial Co-operation.

When we examine the statistics in relation to what the co-operators term the "productive" societies (Class E) we find that these 119 societies in reality consist of two distinct kinds of associations, 106 of them being producers' associations, but 13 of them being consumers' associations (10 corn-mills, 1 dairy-farm, and 2 baking societies). Now, while the majority of the producers' associations practise Profit-sharing, the majority of the consumers' associations included in this list of "productive" societies do not; and while the scale upon which these 106 producers' associations carry on business, and the amount of financial success which they achieve are comparatively insignificant, the 13 consumers' associations do a trade nearly twice as large as that done by, and earn profits nearly three times as large as those earned by, the whole of the 106 producers' associations put together. What is more, out of the total united turnover of all these 106 associations very nearly one-fourth is attributable to the output of the Rochdale Manufacturing Society, the only one among them doing business upon a really extensive scale, a society which long ago abandoned the system of sharing profits with its employees. Thus it will be seen that in the co-operative "productive" societies the co-operative method of Profit-sharing plays a very unimportant part indeed.

In compiling Table II. (pp. 216, 217) I have taken as my basis, so far as concerns the ratio of bonus to wages, the Returns of the Co-operative Union—returns which (although the Union does

the best it can with such materials as it can obtain) are incomplete and occasionally inaccurate, but which still give more and better information than any other available source. It will be observed that my statistics go back to 1884, that being the earliest year in respect to which these Returns mention the ratio of bonus to wages, but omit 1887, the figures for that year having been considered by the Union to be too unsatisfactory for publication. I include no societies, except such as I have, by inspection of the official copies of their rules, or by other means, ascertained to be working on a profit-sharing basis, and as are, in the Co-operative Returns, represented to have been in active operation during 1890. Most of the societies in Table II. have adopted Profit-sharing from their formation, the date of which is given. Except in regard to the two baking societies (as to which see *Report* of 1889 Congress, pp. 41 and 42), I have taken the number of employees from Miss Potter's book, *The Co-operative Movement in Great Britain.*

Summarising the figures in Table II. (relating to seventy societies),* we find that as to thirteen the details are wanting; thirty societies have not succeeded in paying any bonus to labour; four have given a bonus equivalent to less than 1 per cent. on wages; in two cases the ratio has been 1·2 and 1·5 per cent. respectively; in five the ratio was from 2 up to 2·9 per cent.; in five others the ratio has been over 3 but less than 4 per cent.; in three over 4 but less than 5 per cent.; while four societies have paid from 5 up to 5·4 per cent.; two have paid 6 and 6·8 per cent. respectively; one has paid a bonus at the

* The "Returns Relating to Productive Societies" published by the Co-operative Union include William Thomson & Sons, Limited; but that society, which will be found in my list of ordinary Profit-sharing firms, is not an example of Industrial Co-operation, being formed to carry on a business created by a middle-class employer, who has secured himself as irremovable manager with the right to appoint his successor by will, and with full authority to conduct the whole business on his own initiative, including power to appoint, and to fix the salaries of all employees. Miss Potter considers three other societies (the Co-operative Builders, the Scotch Tweed Manufacturing Society, and the Burnley Self-Help Society) to come in the same category as Wm. Thomson & Sons (*The Co-operative Movement*, p. 140). But I give these societies the benefit of a doubt.

TABLE II.

(Showing ratio of bonus to wages in co-operative "productive" societies practising Profit-sharing.)

Reference to notes below.	Name of Society.	Nature of business.	Date of Registration.	Sales in 1890.	Number of Employees.	Average ratio of bonus to wages.	Number of consecutive years (ending with 1890, but omitting 1887) to which this average relates.	Remarks.
				£		Per cent.		
1	*Sheerness Economical*	Corn Milling and Baking..	1816	24,599	?	2·2	1	
	Eccles Manufacturing	Quilts and Table Covers..	1860	22,486	98	·4	6	
2	Paisley Manufacturing	Woollen and Cotton	1862	44,575	185	6	5	Profit-sharing partial only (?)
	Ayrshire United Baking	Baking	1867	16,158	23	8·5	2	Included in Returns relating to "Productive" Societies only since 1890.
	Glasgow United Baking	Baking	?	81,644	72	3·3	2	
	Manchester Co-operative Printing	Printing	1869	58,492	330	2·2	6	
	Hebden Bridge Fustian	Fustian	1870	37,402	260	3·2	6	
	Airedale (Bradford) Manufacturing	Worsted and Wool	1872	12,463	21	2·9	6	
3	Dunfermline Manufacturing	Linen	1872	959	16	·5	5	Profit-sharing partial only (?)
	North Seaton	Farming	1872	649	5	*nil*	6	
	Edinburgh Printing	Printing	1873	10,081	73	5·4	4	Adopted Profit-sharing in 1886.
	Sheffield Cutlery	Cutlery	1873	1,944	40	4·1	3	Adopted Profit-sharing in 1887: Profit-sharing partial only (?)
2	Walsall Padlock	Locks, &c.	1873	13,175	183	6·8	5	Profit-sharing partial only (?)
	Dudley Nail Manufacturing	Nails	1874	190	12	Details defective	—	
	Leek Silk Twist	Silk Twist	1874	7,883	41	4·5	6	Profit-sharing partial only (?)
	Coventry Watch	Watches, &c.	1876	4,909	52	3·9	6	
	Leicester Hosiery	Hosiery	1876	16,777	139	·5	6	
2	Northamptonshire Productive	Boots and Shoes	1881	11,627	129	9·4	5	Profit-sharing partial only (?)
	Dudley Midland Nailmakers	Nails	1882	916	15	Details defective	—	Profit-sharing partial only (?)
	Assington	Farming	1883	1,327	10	*nil*	6	
	Bozeat Manufacturing	Boots and Shoes	1884	3,693	?	*nil*	5	
4	Hinckley Hosiery	Hosiery	1884	1,095	?	*nil*	3½	
	Bookbinders, London	Bookbinding	1885	667	7	*nil*	5	
	Bromley Builders	Building, &c.	1885	No details	?	*nil*	5	
5	Keighley Ironworks	Machines	1885	4,460	?	·8	3	
4	Norwich Boot and Shoe	Boots and Shoes	1885	2,012	15	5·1	3½	Profit-sharing partial only (?)
	Co-operative Sundries, Droylsden	Baking Powder & Sundries	1885	6,368	41	4·4	5	
6	Burnley Self-help	Cotton Cloth	1886	38,854	257	*nil*	3	The employees bound themselves to bear losses: and thus paid a considerable sum.
6	London Productive	Cocoa	1886	2,315	?	*nil*	3	
7	Finedon Manufacturing	Boots and Shoes	1886	16,428	134	Details defective	—	Profit-sharing partial only (?)
8	Scottish Farming	Farming	1886	480	17	1·2	3	
	Cradley Heath Chain, &c.	Chains, &c.	1887	No details	?	No details	—	

	Leicester Boot and Shoe	Boots and Shoes	1887					
	London Cigarette Makers	Tobacco, &c.	1887	9,558	20	*nil*	3	Said to pay wages 25 per cent. higher than current in trade.
	Long Melford Mat Makers	Mats	1887	1,123	19	*nil*	3	
	Midland Tinplate Workers, Birmingham	Tin, &c.	1887	2,281	32	*nil*	3	Profit-sharing partial only (?)
9	Raunds Productive	Boots and Shoes	1887	11,871	160	Details defective	3	Profit-sharing partial only (?)
	Tin, Iron, & Zinc-plate Workers, London	Tin, &c.	1887	No details	?	No details	—	Probably not yet in activity (?)
	Walgrave Productive	Boots and Shoes	1887	No details	?	No details	—	
	Walsall Cart Gear	Chains, &c.	1887	346	8	*nil*	4	Profit-sharing partial only (?)
	Alcester Productive	Needles	1888	421	20	2	2	
	Brighton Artizans	Building, &c.	1888	102	27	*nil*	2	
	Bromsgrove Nail Forgers	Nails	1888	424	16	*nil*	2	
	Colne Vale Corn Millers	Corn Milling	1888	51,945	?	*nil*	3	
	Co-operative Builders, Brixton	Building, &c.	1888	30,059	"Varies"	5	2	
	Dudley Bucket and Fender	Hardware	1888	5,499	30	3·6	3	Profit-sharing partial only (?)
	Kettering Boot and Shoe	Boots and Shoes	1888	9,483	79	5·1	2	
	London Watch	Watches, &c.	1888	No details	?	*nil*	3	
	Macclesfield Silk	Silk	1888	1,164	30	*nil*	2	
	Manchester and Salford Wheelwrights	Cart Building, &c.	1888	720	9	*nil*	3	Profit-sharing partial only (?)
	Nelson Self-help	Cotton Cloth	1888	26,692	120	*nil*	3	The employees bound themselves to bear losses: and thus paid considerable sums.
	Northampton Boot and Shoe	Boots and Shoes	1888	No details	18	*nil*	2	Profit-sharing partial only (?)
	Tingdene Boot and Shoe	Boots and Shoes	1888	4,706	58	*nil*	3	Profit-sharing partial only (?)
	Bristol Boot and Shoe	Boots and Shoes	1889	No details	?	No details	—	
10	Bristol Pioneers Boot and Shoe	Boots and Shoes	1889	2,485	33	Details defective	2	Profit-sharing partial only (?
	Burton Latimer Boot and Shoe	Boots and Shoes	1889	No details	?	No details	—	
	Glass Makers' Productive, London	Glass Bottles, &c.	1889	7	?	*nil*	1	
	London Bass Dressers	Bass Dressers	1889	4,331	9	2·5	2	Profit-sharing partial only (?)
	London Stick Makers	Stick Makers	1889	No details	?	No details	—	
	Oak Mount Self-help	Cotton Cloth	1889	35,021	?	*nil*	2	
11	Oxford House Repairing & Decorating	Building, &c.	1889	688	?	1·5	2	
	Productive Cabinet Makers, London	Cabinet Making, &c.	1889	442	?	*nil*	2	
	Atherstone Hat	Hats	1890	No details	55	No details	—	Profit-sharing partial only (?)
	Bradford Cabinet Makers	Cabinet Making, &c.	1890	213	?	*nil*	1	
	Coventry Watch-Jewel Makers	Watches, &c.	1890	98	?	*nil*	1	
	Hinckley Boot and Shoe	Boots and Shoes	1890	No details	?	No details	—	
	Manchester Billiard Table Makers	Billiard Table Makers	1890	32	?	*nil*	1	
	Nantwich Boot and Shoe	Boots and Shoes	1890	91	?	*nil*	1	
	Scotch Tweed Manufacturing	Woollen Cloths	1890	4,173	90	*nil*	1	
	Wolverhampton Lockmakers	Locks, &c.	1890	30	?	*nil*	1	

(1) Returns for 1884, 1885, 1888, and 1889 defective: ratio of bonus to wages in 1886 was 1·2 per cent.
(2) The returns for 1885 not stating ratio of bonus to wages, this year is omitted from calculation.
(3) The returns for 1886 not stating ratio of bonus to wages, this year is omitted from calculation.
(4) Did not commence business until middle 1886.
(5) Did not commence business until 1887.
(6) Did not commence business until 1888.
(7) Ratio of bonus to wages in first quarter (1886) was 17·5 per cent.: for later years not stated.
(8) Did not commence business until 1889.
(9) Ratio of bonus to wages was 15 per cent. in 1888 and in 1889: ratio for 1890 not stated.
(10) Did not commence business until 1890.
(11) No details with respect to this Society given in the returns for 1889: ratio of bonus to wages was 3·1 in 1890.

N.B.—*The five societies whose names are printed in italics are* consumers' associations, *the remainder are* producers' associations.

rate of 8·5 per cent. on wages; and one at the rate of 9·4 per cent.

One important point to be considered in relation to these "productive" associations is the extent to which Profit-sharing is practised in each case. For the shareholders, in some cases, employ non-members, often in large numbers, and either altogether exclude these operatives from participation in the profits of the society, or give them a bonus of very much smaller proportions than that received by those among the employees who are members; in certain instances, again, work is given out to sub-contractors, these sub-contractors, in many cases, and their employees, in all cases, being denied any share whatever in the profits. To indicate with precision the societies, by which Profit-sharing is practised in this very limited manner, is a task of which no examination of any available information could secure the performance. The societies in question are placed by Miss Potter in her "third division of associations of producers"—a category, in regard to which she says, "Of these associations, taken as a class, I do not think it possible to speak too severely. For the most part, they are associations of small masters extracting profit out of the labour of non-members" (*The Co-operative Movement*, p. 142). The nineteen societies, against which the query, "Profit-sharing partial only?" is put in the remarks column, are included by Miss Potter in this category. It is shown by the illustrative details given by Miss Potter that some of the societies just referred to pay lower wages than those current in the trade; in such cases it would appear that the bonus is accepted in partial substitution for normal wages, and does not, therefore, constitute a clear addition to the ordinary remuneration of the employees.

In those cases in which Profit-sharing is practised by co-operative associations, of whatever class, the bonus to labour payable to members and to non-members respectively is (with no exception known to the writer) allotted to* each

* In many cases a specified fraction of the profits is allotted to the committee of management; and special services rendered by individual members are remunerated in the same manner.

employee in proportion to the amount of wages earned by the recipient.

In conclusion, the results of our examination of the practice of Industrial Co-operation show us that by far the greater part of Industrial Co-operation is carried on upon the ordinary wage-system, the employees being altogether excluded from participation in profits; while, that in those cases, in which Profit-sharing is practised by working-men co-operators, the financial position of the workmen employed in a co-operative workshop is seldom indeed to any appreciable extent improved by the receipt of bonus, must be abundantly clear from the facts and figures above adduced.* Nor must it be forgotten that, wretchedly unfavourable as is the appearance presented by our statistics, the figures would have looked still less favourable, if we could have included the bad year, 1887, in regard to which the Co-operative Union has thought it best to omit the figures; and the reader must be again reminded that no account is here taken of those co-operative societies worked upon a profit-sharing basis which have altogether failed to meet with financial success—a misfortune which has befallen about 75 per cent. of such societies.

Taking, however, our statistics as they stand, it is further necessary to remark that their true significance could only be appreciated by a detailed examination of the individual circumstances of each society. It should, in any case, be noted that, while the bonus paid by even the most successful among the "productive" associations is much lower than that which obtains in the more prosperous among the middle-class profit-sharing firms, those co-operative societies which show the largest ratio of bonus to wages are just those which have the furthest departed from the co-operative ideal, according to which all the workers take an equitable share in the profits,

* The total amount shown by the Returns for 1890 to have been paid as bonus to labour to the employees of the seventy productive societies mentioned in Table II. is £4,686. In respect to the Returns for 1889, Miss Potter remarks that "only twenty co-operative productive societies shared profits with their workers. If we divide these profits by the number of workers employed by the fifty-four associations of producers, we shall discover that the net result to the workers is considerably less than £1 per annum" (*The Co-operative Movement*, p. 165).

and the business is governed by the operatives actually engaged in the workshop. Thus, the society which appears in Table II. as having paid the highest average bonus of all is one of those in which Profit-sharing is partial only, and is thus described by Miss Potter—"has paid as much as thirty per cent. to capital: half dividend [*i.e.* bonus to labour] only given to non-members who form the majority of employees [97 out of 129]. Home-work: with part of work given out to middlemen. Secretary deplores fact that existing members object to admitting new members" (p. 143). In the trade carried on by this society there is no standard trade union rate of wages. The next highest bonus is paid by a federation formed by eight consumers' associations, whose employees, far from being "their own masters," cannot even hold shares in the undertaking. In regard to the third society on the list, Miss Potter states that it is an association of small masters with 42 shareholders; that 36 alone out of the 183 workmen employed are shareholders; and that work is given out to middlemen, or sub-contractors.* In the society which stands fourth in the list there are no less than 637 shareholders, 28 of whom alone work in the co-operative factory together with 185 non-members, this society being also one of those included in Miss Potter's third division of associations of producers, of which, taken as a class, Miss Potter "does not think it possible to speak too severely." The fifth in point of financial success is a society started in 1873 as an ordinary joint-stock company: Profit-sharing was adopted only in 1886: nearly all the capital (which receives a dividend of over 14 per cent.) is owned by

* The Returns for 1890 show this society to have only thirty-nine members with a share capital of £776, a loan capital of £334, and a Reserve Fund formed out of surplus profits, of no less than £976. This society for some time refused to admit employees desirous to become shareholders, on the ground that their admission would diminish the amount available for Reserve; but now claims that it encourages its workers to become members (*Co-operative News*, September 5th, 1891, November 28th, 1891). Among other prosperous societies we find the Raunds bootmakers, seventeen in number, who have declined to admit new members, and who are simply small masters employing 146 operatives and giving work out to middlemen, or sub-contractors. There is no standard trade union rate of wages in this class of (army) boot-making. The seventeen partners have lately divided between them a handsome sum accumulated as Reserve out of surplus profits.

persons not employed by the concern: the actual workers are not encouraged to hold shares.

Turning now from the more successful societies, whose practice is so inconsistent with the theory of Industrial Co-operation, to those which make a somewhat nearer approach to the co-operative ideal of the self-governing workshop, the figures and the facts which we have here examined prove that, if a working-man hopes, by becoming a working member of an association of the comparatively "genuine" type, to obtain, as the reward of the degree of extra zeal (say ten per cent., at the least) which Co-operation claims from its devotees, an addition to his normal wages* of even one per cent., this expectation—modest as it is—is more likely than not to be disappointed by the event.

* That the bonus received is, in all these cases alike, a clear addition to the *normal remuneration* of the Profit-sharing employee, cannot be asserted. Thus, I have ascertained that the lasters employed by the Leicester Co-operative Boot and Shoe Manufacturing Society, although receiving, in addition to full trade union wages, a not inconsiderable bonus out of profits, yet, owing, as they said, to special difficulties connected with their work, for some time earned (in bonus and wages together) less money than they had earned (in wages alone) when previously employed (at the same rate of piece-wage, but without any share in profits) in the Leicester factory of the Co-operative Wholesale Society: indeed, although these special circumstances tended to disappear as the business grew, yet in February, 1891, three and a half years after its commencement, I found that these men were only making (in bonus and wages together) about the same amount as they would have earned (in wages alone) at the Wholesale's works.

CHAPTER XXV.

WHY INDUSTRIAL CO-OPERATION REJECTS PROFIT-SHARING.

THE preceding chapter will have made it clear that the practice of our working-men co-operators is not consistent with those principles which have been accepted and laid before the public by the working-men co-operators as the keystone of Industrial Co-operation. But it is not with the object of casting upon our co-operators any blame on the ground of this inconsistency that the facts have been here stated. This inconsistency may be a fault: but it is, at any rate, a fault which it is easy to remedy. If it were considered desirable by the co-operators to make their practice tally with their principles, this reconciliation could be effected, and that without imposing upon the members of the different societies the necessity of adopting in regard to the persons in their employment a method of remuneration which they believe to be inimical to their own interests, and without calling upon these co-operators to make, in deference to the co-operative faith, any sacrifice whatever, by the simple process of adopting a new set of principles, and, in particular, by so modifying their existing principles that in future the duty of practising the method of Profit-sharing shall no longer be included among the articles of the co-operative faith. Nor will the working-men co-operators experience any difficulty in inventing for themselves, with or without the assistance of their friends among social reformers and economists, a new and more convenient creed of Co-operation.

Already, indeed, the outlines of a new co-operative faith, in which Profit-sharing with employees finds no place, are being

constructed. One very acute and sympathetic critic of the Co-operative Movement, Miss Potter, has furnished to the co-operative opponents of the co-operative method of Profit-sharing a highly ingenious reason for not paying bonus to labour. Miss Potter suggests that it is impossible for an association of consumers to make a profit; therefore, however willing such a body may be to give to its employees a share in its profits, it is unable to do so. "Profit I imagine to be the net result from two distinct operations: the act of buying and the act of selling (I include within the act of buying all payments such as rent of land, of capital, and of ability, as well as the price of raw material and the wages of labour). But if I produce for my own consumption, I buy the raw material but I do not sell the product—therefore I make no profit... Now, the substitution of a body of consumers *in association*, acting through their representatives, for the householder supplying himself and his family, in no way alters the fundamental fact that these persons produce in order to consume, and not in order to sell" (*The Co-operative Movement*, pp. 96, 97). It is certainly somewhat startling to find it laid down that, when a member of a co-operative store buys a loaf baked in the store bakery, no sale of this loaf takes place. The argument is apparently based upon the assumption that a co-operative association is identical with its members; and, of course, a man cannot buy from himself. For the matter of that, neither can a man steal from himself, nor can he prosecute himself. All the same, if any member of a co-operative society, carrying out the ideas suggested by Miss Potter, shall venture to take a loaf from the store counter with the demonstrable intention of not paying for it, that co-operator is likely to find himself in prison for theft. Referring the reader anxious to examine the economic bearings of Miss Potter's subtle plea against Profit-sharing to the note below,* I will merely remark

* Even if we grant that, when a member buys a loaf from his store, no sale takes place, and, therefore, no profit is made, we shall hardly have admitted more than that economic terminology is defective. In reckoning what it costs to produce an article allowance is made for the item of "rent," though a manufacturer may own the freehold of his factory, and so "pay no rent." In the same manner the consumer's association, which has produced a loaf at a cost

that the ability of a consumer's association to pay bonus to labour to its employees is proved beyond controversy by the fact that such associations (*e.g.* such a typical "federalist" consumers' association as the Scottish Wholesale Society) actually do pay bonus to labour. Whether it is proper that a part of, what these associations term (with sufficient accuracy to satisfy all practical purposes) their "profits," should go into the pockets of their employees is another question; but the proposition, that it is impossible for a quite consumers' association to practise Profit-sharing, seems untenable.

That it is not proper that bonus to labour should be paid is a thesis maintained with much ability by Mr. Mitchell, the chairman of by far the most important co-operative association in Great Britain, the English Wholesale Society, who on a recent occasion stated that "the labouring community and the capitalist community did not form thirty per cent. of the population;" and asked, "Was it right that seventy per cent. of the population should have a small tax placed upon them for the special benefit of thirty per cent. of the population?" (*Co-operative News*, September 6th, 1890). This is a question to which the customer-members of the co-operative associations, who enormously outnumber the workers whom they employ, are likely to answer in the negative, and it may well be that these pregnant words of Mr. Mitchell express a principle, which will, either openly or tacitly, be made the keystone of the New Co-operation.

The important point for the purposes of this book is to observe that the payment of "bonus to labour" is objected to by our working-men co-operators upon the express ground that this payment would constitute a tax upon the employing majority in favour of the employed minority. Thus, these co-operators, having a positively unique range of experience—for they are at once employers and employees—absolutely decline

to itself below the market price of that loaf, has a margin, which is commonly termed "profit," and out of which this association can, if it chooses, pay a "bonus to labour" to its employees. We would appear to stand in need of new terms to express "rent" and "profit" respectively in those cases in which these factors are "at home."

to believe the truth of that theory, which we have seen to be the economic basis of the profit-sharing method—the theory that "under the stimulus of Profit-sharing the workers will create the additional profits which they are to receive." With respect to Profit-sharing in the case of the salesman, &c., employed in the stores, Messrs. Acland and Jones tell us, "Some committeemen would gladly apply the principle if they could prove to their members that a real saving is effected by it. If it is to be conceded as an abstract principle of justice, not many societies will carry it on this ground" (*Working-men Co-operators*, p. 54). Accordingly, our highly practical working-man capitalists, leaving the application of abstract principles to middle-class theorists, steadfastly decline to adopt, in regard to their own employees, a system which, as they firmly believe, will not pay. So far, again, as concerns operatives engaged in "production," the remarks made by a delegate, speaking in opposition to the resolution in favour of bonus to labour, which was carried at the Co-operative Congress in 1888, went to the root of the whole matter. "What," said he, "would be the good of paying bonus? It is said that, if we do, we shall get better work out of our employees. But take the operatives in the boot factory of the Wholesale at Leicester. The men are already encouraged to do as much work as they can, for they are on piece-wage. And, as to quality, if a laster is going to be paid for making a boot as 'seconds,' our foreman takes good care that he does not 'shop' a boot only up to 'thirds' standard; while, on the other hand, the Trade Union takes good care that we do not get a boot made up to the standard of 'bests.'" The working-men co-operators are firmly convinced that bonus to labour will come, not out of any fund to be produced by the extra zeal of the workmen, but out of the employers' profits—out of their dividend on purchase. "The dividend is your mother's milk," said another opponent of Profit-sharing at the Dewsbury Congress.* If the co-operators

* At a recent meeting of the London branch of the English Wholesale Society—a federation which, out of its annual profits of over £145,000, does not give one farthing to its employees—a delegate said, "His society clamoured for dividend [on purchase]. Do whatever else they might, they must

believed that they could practise Profit-sharing without its costing them anything, then they would readily adopt this method. But they believe the exact contrary, and their opinion unquestionably deserves the most attentive consideration of those who wish to form a correct estimate of the economic value and the general applicability of this novel method of industrial remuneration.

have a good dividend. This quarter they got something like £100 in dividend from the Wholesale. Supposing that bonus to labour were adopted forthwith, and by the apportionment of labour's share of profits, their dividend next quarter should be only, say, £50; what would happen? They would soon 'go for' bonus to labour! (Laughter)" (*Co-operative News*, March 14th, 1891).

CHAPTER XXVI.

THE PRACTICE OF INDUSTRIAL CO-OPERATION (*Continued*).

THE accepted theory of Industrial Co-operation proposes that the actual workers in the co-operative business (*a*) are to be self-governed, and (*b*) are to take an equitable share in the profits. That, as a matter of fact, the practice of Industrial Co-operation in regard to Profit-sharing is, for the most part, antagonistic to the theory of Industrial Co-operation, we have seen. Not less conspicuous is the failure of the other part of the co-operative programme—the self-government of the workers.

So far from the co-operative store being managed by the salesmen working in the store, we find that the rule adopted by the famous pioneer society at Rochdale provides, "No servant of this society shall serve any office in the committee of management, nor be allowed to vote for any candidate for the committee of management, or be an auditor, on any account whatsoever." And Miss Potter tells us that "the disqualifications of employees for official positions has become a constitutional principle with working-men's stores throughout the country, while their disfranchisement as voting members obtains as a custom, a resolution, or a rule in some of the largest and most successful societies" (*The Co-operative Movement*, p. 75). It must be added that some stores will not even allow their employees to be members of the society. In many societies near relationship to an employee constitutes a disqualification for holding official positions.

Now let us turn from the co-operative store to the co-

operative factory. The co-operative ideal is "the government of the workshop by the workers in that workshop, for the benefit of themselves, the actual workers." * But the facts of Industrial Co-operation show us that in the co-operative workshops this theory of self-government is, save in a quite insignificant number of cases, never carried into practice.

The workshops attached to the stores are managed on the same lines as the stores, the operatives employed being excluded from any share in their control. In neither of the two great wholesale societies, nor, again, in the great federal corn-mills are the employees allowed even to hold shares. Even in the "individualist" societies specially formed to promote the "self-employment" of "producers" the actual workers are, save in the very rarest instances, greatly outnumbered, and always liable to be outvoted, by the non-working shareholders.

Miss Potter gives details † as to the working of fifty-four of these producers' associations; out of which eight alone are placed in Class I. as approximating to the requirements of co-operative theory. Nor is the constitution of even these eight exceptional societies free from grave defects, if judged by the standard of theoretic Co-operation. Certainly, most of the persons engaged in these workshops (440 out of 483) are shareholders; but then, in order to carry out the ideal of the self-governing workshop, it is also necessary that no persons other than the actual workers therein shall have a voice in the management, whether as simple shareholders or as directors. Now, a glance at Appendix II. in Miss Potter's book will show that, out of the 1,457 shareholders ‡ in these eight societies, no less than 1,017—an overwhelming majority—are persons not working for the association at all. As to the directors, it is not enough that these societies are managed by committees partly composed of actual workers; in order consistently to carry out the conception of the self-governed workshop (in which the managers are chosen by the

* See this definition cited and followed out by Mr. Holyoake, *The Co-operative Movement To-day*, p. 130.

† *The Co-operative Movement*, pp. 117-169.

‡ In these co-operative societies (as stated above, p. 205) the owner of a single share has the same voice as the owner of one hundred.

workers from among themselves) the committee managing each workshop ought by rights to contain no single member who is not employed therein; and in this respect I can answer for it, that the practice of some, at any rate, of these eight "genuine" co-operative societies is quite inconsistent with the ideal of Industrial Co-operation, persons not employed in the co-operative workshop, not even engaged in the same industry as is carried on therein, not, indeed engaged in manual labour of any kind, being allowed to take part in the management.

However, admitting that these eight exceptional associations approach, at any rate more nearly than any others, to the co-operative ideal, we must remark that, while the Leicester Boot Manufacturing Society is the only one among them which appears from Miss Potter's figures to employ more than eighty persons, four out of the eight are tiny societies, the united sales of three out of these four in 1890 being less than £1,000, while the aggregate profits of all four put together are stated in the official returns for 1890 to have amounted to £23, and the total amount paid to the workers as their share of these profits by each of these four societies is there shown to have been *nil*.

In Class II. Miss Potter places four associations "which have bound themselves over to, or had imposed upon them, an irremovable governor or irremovable committee-men." * Her Class III. is composed of those "associations of small masters," Miss Potter's denunciation of which has been already quoted. These twenty-one associations are said by Miss Potter to "comprise nearly half the total number of associations of producers within the Co-operative Union," and to "employ 1,240 workers of whom 330 only are members; the subordinate labour employed by sub-contractors, or in the homes, is not, of course, included in this calculation."

Miss Potter's Class IV., although free from those tendencies which she reprehends in Class III., is much smaller, containing only thirteen societies which "employ 1,274 workers, of whom 455 are members." The practice of these societies also is far indeed removed from the ideal of Co-operation. For the

* See *ante*, p. 215 *n*.

"employees are usually expected, and sometimes obliged to become shareholders, but are in most cases disqualified from acting as directors; in no instance is there actually an employee on the committee of management. Moreover, in all these associations the balance of power is in the hands of non-workers."

To sum up in the words used in his presidential address at the last (1891) Co-operative Congress by Mr. A. H. Dyke Acland, M.P. "The ideal co-operative productive society, where all the capital is owned by the workers, is admitted to be an impossibility, except in the rarest cases."*

* *Report of the Co-operative Congress of* 1891, p. 5.

CHAPTER XXVII.

CRITICAL EXAMINATION OF THE THEORY OF INDUSTRIAL CO-OPERATION.

THE contrast between the accepted theory and the actual practice of Industrial Co-operation has now been sufficiently established. By Industrial Co-operation the two cardinal principles of the co-operative method, Profit-sharing and "self-government," are rejected and abandoned. To give a full explanation of this fact would demand more space than can properly be given to the subject here; but this excuse, at any rate, may be made for our inconsistent co-operators, that the accepted theory of Industrial Co-operation is economically unsound and practically unworkable.

When we come to examine the theories in regard to Profits and Profit-sharing accepted by Industrial Co-operation, it is necessary to distinguish between the two forms of Industrial Co-operation. These are usually, but, as has been already said, quite improperly, distinguished as "distributive" and "productive." The true distinction is between consumers' societies and producers' societies. In our criticism of the co-operative theory of profits, we need bestow but a brief attention upon the consumers' societies. This form of Co-operation has worked out its own salvation untrammelled by the speculations of philanthropic economists. The government of the store by the store-keepers has never been even propounded as an ideal; on the contrary, it has always been recognised that the management of the store by the purchasers is the guarantee against fraud and extortion which alone can secure their custom. As to Profit-sharing with employees, although this method has, in some cases, been adopted by con-

sumers' associations, and although its adoption in these cases has, no doubt, been mainly attributable to a sentimental adherence to doctrines primarily connected with "productive" Co-operation, yet, on the whole, the promoters of these consumers' associations have troubled their heads very little about theory of any kind, and have scarcely attempted to lay down, in relation either to the economic or to the ethical side of profits, any more definite dogma than is involved in those attractive promises to put into the pockets of the working-men the nefarious gains of the "superfluous" middle-class shopkeeper, which, from their vague predatory flavour, add so much zest to the programme of "distributive" Co-operation—a programme which, none the less, rests upon an economic basis of unimpeachable soundness.

The working-classes, as a rule, are accustomed to buy on credit; and, before Co-operation was invented, those working-men who ultimately paid their debts were mulcted in many ways. They had to defray the rent of too many shops, to provide a living for too many shopkeepers, to give a ruinous rate of interest for credit, and to make good the losses sustained owing to the non-payment of their accounts by defaulters; at the same time, the quality of the articles supplied to them was often very inferior. Then Co-operation came forward, and said in effect: "If you will agree to make all your purchases at our store, and to pay for them in cash, we will undertake to work for a return of 5 per cent., neither more nor less, upon the capital invested. We will sell you goods of excellent quality, for which we shall charge you, in the first instance, the current prices: then, after paying all outgoings (including salary of manager), we will divide among you all that is earned over this 5 per cent., retaining out of the money due to each enough to make him a shareholder. The ordinary middle-class shopkeeper makes enormous profits" [this statement was quite untrue, but was readily accepted, owing to the ignorance of commercial affairs prevalent among working-men]; "we will give you all the profits" [this statement was scarcely exact; for the "profits" which Co-operation allots to the purchaser are only the balance remaining after paying interest on capital and the remunera-

tion of management, both of which items are included in the "profits" of the shopkeeper]; "you shall have the fullest rights of partners, shall see all our accounts, and shall have the power to compel us to keep faith with you." In fact, Co-operation allowed its sleeves to be turned up and its pockets to be searched, so that no one could suspect it of playing a hidden ace. The result was that "distributive" Co-operation soon won the favour of the masses, and has achieved a remarkable degree of success.

In regard to this "new device of gain," as Mr. Holyoake calls the consumers' Co-operation, the express admission is made that "the consumer was not given a share of store profits from any theory of its being 'right,' but because it paid,"* an assertion borne out by the facts stated on this point by Miss Potter.† Whether as the result of the happy freedom from fantastic "principles" which the consumers' associations have enjoyed or not, certain it is that these "unprincipled" associations have achieved most brilliant triumphs, while the producers' associations have, so far, met with but the most trifling amount of success.

Here it is necessary to interpolate a protest against the assertion almost universally made by previous writers on this subject, that "Industrial Co-operation has succeeded in distribution, but has failed in production,"—an assertion generally coupled with the explanation that "production" is a task too difficult to be, as yet, undertaken by working-men. Now, as a fact, what has failed is, not production carried on by working-class associations, but production carried on upon particular lines—on the lines, that is, of the ideal, self-governing, profit-sharing workshop. Those who speak of the failure of co-operative production are thinking exclusively of our small band of "individualist" (profit-sharing) manufacturing associations (most of them of very insignificant dimensions) with their aggregate annual sales of about £500,000; and absolutely ignore the existence of all the other forms of co-operative production. Even if we exclude

* *The Policy of Commercial Co-operation as respects including the Consumer*, by G. J. Holyoake, p. 14.

† *The Co-operative Movement*, pp. 67-68.

altogether the flourishing trade done by the co-operative cotton mills at Oldham, and confine ourselves to the associations included in the Returns of the Co-operative Union, we shall still be able to point to a large amount of by no means unsuccessful co-operative production. On the one hand, we have among the producers' associations some "which have become practically joint-stock associations participating neither profits nor government with the workers,"* and which include among them the Rochdale Manufacturing Society, by far the most extensive of all the producers' associations, having had in 1890 a turnover of £191,928. On the other hand, we have the consumers' societies (in which "self-government" is never attempted and Profit-sharing rarely practised) carrying on "productive" works with an aggregate annual output of considerably more than £5,000,000.† Co-operation of the "genuine" (ideal) type has, no doubt, failed: but Co-operation of the opposite type—Co-operation, that is, in which little or no attempt is made to practise the co-operative method of industrial organization, the workers being, for the most part, employed under the ordinary, non-co-operative wage-system—can certainly not be said to have failed.

To return to that method of co-operative production which has hitherto so signally failed, let me once more put before the reader the exact proposals of the co-operative theorists. "For the complete realization of this idea certain things are essential. A number of workmen having contrived to procure the needful tools and raw material, must agree to work together at the same trade, under directors chosen by themselves from amongst themselves, and must further agree that the entire net proceeds of their industry shall be divided in some pre-arranged proportion among all who have contributed, whether by their labour or their capital, or by both, to the joint production." This is the picture drawn by Thornton‡

* *The Co-operative Movement*, p. 138.

† Made up as follows: output of manufacturing departments of stores about £3,000,000; of the corn-mills and baking societies about £1,500,000; of the factories of the English and Scottish Wholesale Societies about £450,000 in 1890, to which must be added the output of the new flour-mill of the English Wholesale, which may be roughly guessed at £500,000.

‡ *On Labour*, p. 396.

of that industrial method which, according to J. S. Mill, is destined ultimately to prevail over all others. "The form of association which, if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and workpeople without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves."*

Taking note that Thornton's more accurate conception of "the division in some pre-arranged proportion of the entire net proceeds of the industry of the workmen" is replaced in the official doctrine of Industrial Co-operation by "the equitable division of the fund commonly known as profit," let us examine the co-operative theory of Profit-sharing. This theory is, as already remarked, entirely distinct from the middle-class doctrine of Profit-sharing—a divergence all the more remarkable because by previous writers on this subject middle-class Profit-sharing has been assumed to be an initial stage in the development of that complete or perfect Profit-sharing which is finally reached in Industrial Co-operation.† As a fact, while, when we examine the practice of Industrial Co-operation, we find that by far the greater part of Industrial Co-operation declines to adopt Profit-sharing at all, the theory of Profit-sharing promulgated by the recognised exponents of Industrial Co-operation is in the most marked manner divergent from that laid down by the middle-class advocates of Profit-sharing. The fundamental idea underlying the accepted theory of Industrial Co-operation is (as we have seen, *ante*, pp. 202, 203) the belief that, after both capital and

Political Economy, 4th edit., Vol. II., p. 344; 6th edit., p. 352.

† Compare Boehmert on *Profit-sharing*: "Although the productive associations constitute the highest form of Profit-sharing, they are not treated here" (French translation, p. 23). Mr. Sedley Taylor says: "I regard Profit-sharing, not as a final solution of the labour question, but as a stage on the road towards co-operative production and the emancipation of labour" (*Report of Industrial Remuneration Conference*, p. 335). See also Ugo Rabbeno's *Le Società Cooperative di Produzione*, Part III., "On Profit-sharing as a means of transition from capitalist enterprise to co-operative enterprise in manufacturing industries" (pp. 389-419).

labour (including the labour of management) have received their full remuneration at current rates, there remains a balance of "surplus profits" capable of "equitable division" in the manner prescribed by the doctrines of Industrial Co-operation. Profit-sharing and Industrial Co-operation agree in this, that under each system the worker is to get a share of profits in addition to his wages. But the share of the profits taken by the employee of a profit-sharing firm is to be given to him merely as a *quid pro quo*. This employee, if he is induced by the hope of earning bonus to do 10 per cent. more than the normal amount of work, may receive an addition to his normal wages of 5, 7, or even 10 per cent.; but he is in no case to receive (in wages and bonus together) more than the full remuneration of his labour at current rates. But the self-employed co-operators, who may do 10 per cent. more work than if they were employed by the middle-class head of a "competitive" business, are to obtain an addition to their regular wages of very much more than 10 per cent. Profit-sharing, says Mr. Holyoake, "is quite distinct from Co-operation. A co-operative workshop divides, not a share, but *all* the profits among the producers."* These italics of Mr. Holyoake's are intended to emphasize the claim made for Industrial Co-operation that by virtue of this method of remuneration the workman is to get, not merely a *quid pro quo*, but a *quid sine quo*. This is a claim to the discussion of which respect for the patience of the reader makes it improper to devote space. But the manner, in which the appearance of "surplus profits," *i.e.* a balance of profit remaining after capital and labour have been remunerated at market rates, is produced, is so highly ingenious as to merit a brief notice. If we watch the process by which the accounts of the co-operative societies are manipulated in order to persuade the onlooker that, under the new system, two and two make, at the least, five, we shall find that, while the view expressed by Mr. Holyoake in the passages already cited (*ante*, pp. 202, 203) that the remuneration of capital should invariably take the form of a fixed rate of interest, capital being altogether excluded from participation in "profit" (a

* *History of Co-operation*, Vol. II., p. 225.

view borrowed from the special features of "distributive" Co-operation), is carried out in some cases, the method adopted in very many instances is as follows:—The capitalist, who could fairly claim, say, 7½ per cent. for his money, receives, first, a fixed rate of, say, 5 per cent., which, in flat defiance of the facts of the case, is alleged to be "the market rate according to the risks of the business," and then, in addition, a super-dividend, varying with the gains of the concern, which, taking one year with another, may, and in a successful society often does, amount to an average of at least 5 per cent. more, thus securing a total yield upon the investment of 10 per cent. or upwards. This super-dividend is called "the equitable share of capital in the profits."* In most cases the customer, again in the sacred name of equity, takes a dividend on purchase, which is partly discount for cash, partly a trade dodge intended to tickle the palate of the purchaser, a sum added to the price of the goods in order to be taken off again. As to the remuneration of labour, the secret of the juggle is very simple. The wage of the worker is treated by the co-operative theorists as the market price of all the services rendered by him. As a fact, of course, the wages or salary received by the employee of a co-operative association represents the money value, not of all the services rendered by him, but of that part of these services which may be termed ordinary. In addition to these ordinary services he has exhibited an extraordinary degree of assiduity, called forth by the promise of a share in the profits, profits which this assiduity tends to raise above the normal level. Now, on the one hand, the total amount divided between any body of co-operative employees in respect of this share—their bonus to labour—can never (assuming that the workmen have already received their full wages and the managers their full salaries at current rates, and that the capital is to receive not less than its market rate of remuneration) exceed the money value of their abnormal assiduity;

* In those cases, in which a "productive" society contrives to earn good profits, the rate of remuneration received by capital under this plan is often high, amounting in many instances to 10-14 per cent., sometimes even to larger figures (even 30 per cent.); this in addition to sums contributed out of profits to Reserve Funds (see *ante*, p. 220 *n*).

on the other hand (as the figures quoted above from the balance-sheets of the co-operative associations indicate) this bonus, as a matter of fact, in many, if not in most cases, falls considerably short of that value.* Co-operation, however, not content with obtaining from its employees two shillings' worth of extra work for one shilling, invites them to consider that shilling as a free gift, presented to them, over and above the price of their labour at its current money value, by this wonder-working system.†

Such are the methods by which the delusion, that working-men by "becoming their own employers" enter into a sort of boundless Tom Tiddler's ground of gains, is sedulously fostered—a pleasing hallucination, which a few moments' consideration of the obvious fact, that you cannot get more hay out of a field than there is grass in it, or, in other words, that profits are limited by the market value of the product, would rudely dispel.

We come now to the proposal that the workmen engaged in a factory are to "collectively own" all the capital required and to "work together under directors chosen by themselves from amongst themselves, and removable by themselves." Is it not difficult to understand how an economist of the first eminence can have seriously imagined that, in an age, in which machinery on the one hand, and credit on the other, play so important a part, it would, except in rare instances be possible for the workmen engaged in a manufactory to "collectively own" the capital necessary for carrying on the business? In a cotton-mill from £200 to £300 is required for every worker employed. Enter the carding room of a woollen

* The shareholders of the Hebden Bridge Fustian and the Coventry Watch Manufacturing Societies have voluntarily reduced the interest originally payable on their shares. Here it is possible that the bonus received by the employees is in excess of the money value of their extra zeal. But this surrender on the part of the capitalist is in flagrant contradiction to the fundamental doctrine of Industrial Co-operation: for here capital is now receiving less than its "market rate according to the risks of the business."

† It will be observed that (as a comparison in the figures in Chapter XXIV. with those in Chapter XXI. will show) the addition made to normal wages by means of bonus is far smaller in the case of the employees of co-operative "productive" associations than in that of the employees of middle-class firms practising Profit-sharing; see also *ante*, p. 219.

yarn factory, and you find three women in sole charge of machinery worth £2,000. It was said in 1884 that the co-operative corn mills, with a capital of £500,000, employed between them only three hundred persons.* The new corn mill of the English Wholesale Society has cost about £100,000 and is capable of employing, at the most, eighty persons.† The capital needed to provide raw materials and machinery and to cover outstanding debts is, in many branches of manufacture much smaller than this. But the industries, in which the necessary capital is of dimensions so modest as to be within the means of the working-men employed, are certainly anything but numerous, and their number unquestionably tends more and more to diminish. As a matter of fact, the capital required by the co-operative associations now at work in this country is not "collectively owned" by their employees, but is supplied by minute contributions from many pockets, only a very small part of it being furnished by the actual workers.‡

Looking at the facts of industry as they stand to-day, we see that the attempt to organize industry upon the basis of the self-employment of the workers is bound, in nine cases out of ten, to fail for the reason, that the actual workers do not possess, and cannot borrow capital enough with which successfully to conduct their business. Together with the impossibility of providing the necessary capital comes the impossibility of appointing the directors and otherwise controlling the conduct of the business. The outside capitalists, in defiance of the principle of the government of the workshop by the actual workers in that workshop, insist upon being allowed a voice, nearly always a preponderant voice in the selection of the committee and in all other matters concerning

* *Working-men Co-operators*, by Acland and Jones, p. 102.

† Mr. Mitchell, Chairman of the English Wholesale Society, said that in one of the industries in which they were engaged it took about £50 of capital to employ a man; in another £87; in another £114; in another £312; in another £372; in this mill about £1,500 (*Co-operative News*, April 25th, 1891).

‡ See the interesting figures on this point in Miss Potter's book, *The Co-operative Movement*, Appendix II., from which it appears that the total capital of fifty-one co-operative producers' associations named by her is £183,225, out of which sum only £22,485 is contributed by the actual workers.

its management. In some cases, again, those among the actual workers, who own part of the capital, prevent those among the workers, who do not, from becoming members. Take, for example, the societies engaged in making hand-sewn boots. The Northamptonshire Productive at Wollaston, registered in 1881, soon became a close corporation, declining to allow its employees, although thoroughly efficient craftsmen, to be members. The consequence has been that twice already have workmen employed by these Wollaston co-operators and by them excluded from membership been compelled to form independent societies, the first of which (the Finedon) was registered in 1886, the second (the Raunds) being set on foot in 1887. Both of these new societies, as soon as they began to succeed, in their turn took to excluding their own employees from membership; and accordingly the men rejected by the Finedon co-operators started the Tingdene society in 1888; while those excluded from the old Raunds society are now (1891) initiating a rival association.* In cases such as these the shareholding workmen have every inducement, not only to under-pay, but also to over-work their unfortunate "auxiliaries"; and hard indeed must be the lot of these employees when, over every two non-shareholding workmen there stands a working member—a pitiless and ever vigilant slave-driver.† When we consider all the circumstances, it is hard to believe

* See the facts stated by Mr. Benjamin Jones, *Co-operative News*, August 22nd, 1891.

† The manner in which in the co-operative producers' societies in France the shareholding workers rigidly refuse all applications for membership, and while exacting a more than normal degree of application from their employees, exclude these "auxiliaries" from participation in profits is worthy of note. Thus the celebrated "Société des Lunettiers" consists of fifty-eight associates, with fifty "adherents" and twelve hundred "auxiliaries"; the "adherents" take only a very small interest in the profits, in which the auxiliary workmen do not participate in any manner whatever. The co-operative masons, who some time ago wound up the flourishing business which they carried on in Paris, were ninety in number, owned between them a capital of £100,000, and employed from fifteen hundred to sixteen hundred "auxiliaries," who were not allowed to receive any share in the profits of the association. The Paris Co-operative Coach-builders were, in 1887, three in number, who employed sixty workmen; all the profits went to the three associates, who have now sold their workshops and retired from business with fortunes of a substantial character. So, again, a co-operative association of carpenters, founded at Tours in 1868, began in 1873

that the operative employed by a co-operative association of this type ("the central type of the third and most numerous class of associations of producers, the wolf in sheep's clothing, the brotherhood of workers sweating their fellow-men"*), even though he may receive bonus to labour, whether a full bonus or half that of a member, is in reality to any material extent better off or in any material respect better treated than he would be if employed under the ordinary, non-co-operative, wage-system.

The view of the accepted theory of Industrial Co-operation, which, after a careful survey, forces itself upon the mind, is that this curious admixture of unsound economics and ill-considered philanthropy stands condemned by the irrefutable evidence of the facts, and, above all, by the fact that the measure of the success, which the Co-operative Movement has attained, and of the improvement, which it has effected in the position of the working-classes, has been exactly proportionate to the measure in which our working-men co-operators have rejected the co-operative method of Profit-sharing, and have abandoned the co-operative ideal of the "self-governing workshop."

to employ "auxiliaries," who received no share in the profits; soon, two alone out of the original associates remained; and these men acquired considerable wealth by employing some two hundred of these subordinates. The Paris sofa-makers, who, also, exclude their employees from all participation in profits, are stated by Signor Rabbeno to say of themselves (what is true of very many among the French co-operative societies): "*l'association est devenue une maison de commerce: et dans le commerce on ne peut pas faire du sentiment: il faut devenir, comme on dit, des épiciers.*"—*Le Società cooperative di produzione*, p. 196. As to the severity of the discipline in these co-operative workshops see *Reports of Her Majesty's Representatives Abroad*, No. 20, 1886, p. 11, and *Report on the Social Economy Section of the Paris Exposition*, by M. Jules Helbronner, pp. xv., lxv. and lxvi. In regard to the producers' associations of Germany we are told by Herr Schenck in his Reports for both 1887 and 1888 that the members "object to admitting new shareholders, since they desire to escape the necessity of dividing their profits among a greater number of persons than at present." Thus it has come about that, in the words of Dr. Schneider, "in many old and successful productive societies the number of members is slowly diminishing. In some, though this is not publicly known, the number of members has shrunk to such an extent that they are no longer societies, but have become trading partnerships."—*Seventeenth Report of the Massachusetts Labour Bureau*, 1886, p. 134.

* *The Co-operative Movement*, by Beatrice Potter, p. 144.

CHAPTER XXVIII.

THE TRUE IMPORT OF THE CO-OPERATIVE MOVEMENT.

THE reader will have seen that, so far as the great bulk of our Industrial Co-operation is concerned, so far, indeed, as concerns all that is most vigorous and effective in the Co-operative Movement, there exists in relation to the remuneration of the co-operative workers no single trace of co-operative method. Such being the facts of the case, it is not unnatural that the existing Industrial Co-operation should be denounced as "anti-co-operative," and that our working-men co-operators should be requested in forcible language no longer to usurp a title to which they have no claim. That a movement which does not practise the co-operative methods, a movement in which the workers, in fact, neither share in profits nor "govern themselves," but are "mere wage-slaves," can properly be called "co-operative," cannot with truth be asserted. But, leaving aside barren questions of nomenclature, it will be well to remark that, when opposition is offered to the use by our working-men co-operators of their cherished title, the idea which underlies this opposition is the belief that in the co-operative method of organization and remuneration consists the true inwardness of the Co-operative Movement; and to enquire what measure of validity this belief possesses. In particular let us ask, how far is it true that Profit-sharing is the keystone of this great movement? It were scarcely less difficult to credit the assertion that the keystone of the centre arch of Waterloo Bridge is a four-penny cake of pumice-stone.

If the true inwardness of the Co-operative Movement be,

in reality, wholly unconnected with any particular method of industrial remuneration, it follows that any lengthy discussion of the real nature of this movement would be out of place in this book. But upon the importance which attaches to Industrial Co-operation a few words may be allowed. Co-operation is a factor momentous in its influence upon the national life of this country. We were told long ago that we must "educate our masters." But our working-men co-operators not only are educating themselves, but are giving themselves an education far surpassing any which the best intentioned tuition on our part could ever have conferred on our working-classes. Co-operation has, from the first, perceived the immense value of education; and the lectures and discussions organized by our co-operators, their libraries, their concerts, their industrial exhibitions, and so on, find their parallel nowhere else in the wide world. But, apart from all conscious attempts at self-instruction, one principal advantage, which accrues from the ownership by associated working-men of business undertakings, is the necessity which constantly arises for the consideration by the shareholders of questions of practical business management, and for the decision, in the common interest, of matters affecting the welfare of all. Thus, for a working-man to be a co-operator is, of itself, almost a liberal education. Co-operation is, above all things, the training college of the citizen voter.

Already we find at least twelve per cent. of the total population of Great Britain connected with the Co-operative movement, and the number of our co-operators grows steadily year by year. "Its ideal," it has been said, "is not the raising of the working-class as a whole, but the raising of certain persons out of the working into the middle class."* But the suggestion that Co-operation aims at creating an aristocracy of labour is one destitute of even the smallest justification in fact. What the real, indisputable, and all-potent ideal of the Co-operative Movement is, may be known by regarding its practice. Every co-operative store in the country is eager for new members. All that a man has to do,

* "The Industrial Basis of Socialism," by W. Clarke, *Fabian Essays in Socialism*, p. 89.

in order to become a member, is to pay one shilling; the odd nineteen shillings of his share are saved for him automatically, out of his dividend on purchase. Once a shareholder, you have the same voice in the management of the society as the man who holds two hundred shares; for, as we have seen, "one man, one vote" is the universal rule in Industrial Co-operation.* Co-operation, in short, is nothing if not democratic.

But what it is specially desired to point out in this place is that, whatever be the precise position to be assigned to the Co-operative Movement as a factor in our national life, this much at least is certain. This vast and splendid edifice of Industrial Co-operation rests upon central ideas far different from those peculiar economic principles, which the co-operative theorists fondly believe to be "the keystone of the arch."

"Industrial Co-operation is one principle, that of Profit-sharing, applied equally to commerce and to labour"†; these are the words of Mr. Holyoake, the veteran leader of theoretic Co-operation. But, when we come to scrutinize closely the various forms of Profit-sharing, it will be obvious that in no one of them, nor in all put together, does there exist any vestige of that epoch-making character which we are justified in expecting to find in the central idea of a movement of such weighty importance as this great Co-operative Movement.

First you have the payment of bonus to purchasers. This bonus is partly the equivalent of ordinary discount for cash, in part, again, resembles the milk-jug or sugar-basin, which by enterprising grocers is given away with a pound of tea, and is, when paid to members, also, in part, the remuneration of capital. But without digressing into an economic analysis of dividend on purchase,‡ it is submitted that, although it possesses great practical merits, both in attracting and re-

* Absentee ownership entails, as a rule, the loss of voting power, proxies being forbidden; though in some cases, the vote of a shareholding society (not of an individual) may be given by deputy.

† *The Co-Operative Movement To-day*, p. 24.

‡ It may be observed that the payment of dividend on purchase somewhat closely resembles the payment of bonuses to policy-holders by ordinary (*i.e.* non-mutual) insurance companies. I am acquainted with one American

taining a numerous body of purchasers, and in coaxing the customers, so far as possible, into the habit of paying cash,* yet there is in this plan of giving a rebate to the purchaser nothing of nearly sufficient importance to induce us to consider this peculiar method of commerce to be in any way of the essence of Industrial Co-operation. And, as a matter of fact, this method is merely a local accident of British Co-operation. In Italy this method of dividing profits on purchases has almost completely failed to secure adoption by the co-operative societies. In America very many societies practise Co-operation upon the same plan as it is usually practised in Italy, the profits of the store being divided among the shareholders in proportion to the amount of capital owned by each. The same is the case with many of the French, and of the Dutch, associations, and with some of the most successful among the German co-operative societies. The English system of giving profits to the purchasers is by far the best; for this system prevents any chance of the society's becoming a close corporation; the dividend on purchase plan is the best of all, because it is the most democratic in tendency; but to make the adoption of this system a test, denying the title of "co-operative" to the numerous societies throughout the world which decline to adopt it, would be altogether unwarrantable.

Turning from Profit-sharing with purchasers to that question of bonus to labour which has in preceding chapters been so fully considered, it is submitted that in this method we have, in effect, merely a kind of piece-wage, *minus* the logical validity of the wage-system, and, at any rate, an arrangement which, when stripped of economic illusions and viewed apart from purely sentimental con-

company in which the dividend on share capital is limited to six per cent., all surplus profits going to the policy-holders—an exact parallel to the Rochdale store system in Industrial Co-operation.

* Cash payments are by no means universal in co-operative stores, more than half of which give credit to their members (see *Report of the Co-operative Congress*, 1891, pp. 20, 21). But the amount of credit given is by the regulations of many societies limited to the value of the shares held by the customer, or a specified fraction of such value. How far such limitation is, in practice, enforced, I cannot say.

siderations, by no means possesses sufficient value and importance to be treated as the keystone of the great Co-operative Movement.

By another school of thinkers the keystone of the Co-operative Movement is looked for in the elimination of profit, which consumers' associations are said to effect. The consumer, it is said, gets his goods as cheap as it is practicable to sell them, any dividend received by him being not in the nature of a profit, but merely a sum which he was temporarily overcharged, and which is refunded to him at the earliest possible moment.* Surely, "the elimination of profit" is a somewhat unduly pretentious phrase to apply to the operation of a system which does not abolish the "unearned" income of the idle capitalist, and which does not attempt to get the labour of management performed without reward; but, in any case, "the elimination of profit" is by no means peculiar to what are known as "co-operative" societies, but is practised by a very large number of "mutual" associations, altogether outside the Co-operative Movement, such as insurance companies of the mutual type; by an immense number of working-class associations, which are not termed "co-operative,"† such as friendly societies of the mutual kind; and by all clubs (other than the proprietary clubs), whether their members are working-men or not; to say nothing of innumerable feather-clubs, goose-clubs, &c. In all these cases we have associations formed to procure benefits or commodities for their members, while no money is taken as profits either by capitalist or *entrepreneur*. It is clear that the mutual principle, valuable as this principle unquestionably is, cannot properly be considered to be either peculiar to, or in any respect essential to, what is known as Industrial Co-operation. The great Co-operative Movement is surely something more than a gigantic goose-club.

The real inwardness of the Co-operative Movement is wholly

* Compare *ante*, p. 223.

† In a strict analysis these associations must be considered to be branches of Industrial Co-operation; not, however, because they adopt the mutual principle, but on the quite distinct ground that their members belong, for the most part, to the working-classes.

unconnected with any special method of dealing with profits, or indeed with any economic method, whether of commercial or of industrial organization. The methods adopted by Co-operation in its different forms are, as a matter of indisputable fact, almost endless in their variety, and widely divergent in their nature. But underlying this variety and divergence of mere economic method, there is, common to all the forms of Industrial Co-operation, one great fundamental principle—a principle truly catholic and universal in character, *quod semper, quod ubique, quod ab omnibus.* The essential characteristics of this grand Co-operative Movement are not economic, but social. It is not the economic method, under which commerce and industry are organized by the co-operators, that gives to Industrial Co-operation its immense significance, but the fact that those, by whom these co-operative enterprises are conducted, are working-men. The one vital need of the working-classes is organization. How much Co-operation has already effected, how much more Co-operation can be relied on to effect in the future in regard to the fulfilment of this supreme need, nothing less than a full account of its history and present position could adequately explain. For such details no space can be found here. All that can be now said is, that it is in this—its power to promote the organization upon democratic lines of the working-classes by the working-classes—that we shall find the true import of the Co-operative Movement.

CHAPTER XXIX.

PRACTICABLE CO-OPERATION.

BEFORE dismissing the subject of Industrial Co-operation some attempt must be made to examine the causes which have hitherto prevented the successful adoption of the co-operative method of industrial remuneration—the method under which the workers are "their own employers," and to consider the question how far it will be possible to adopt this method, while avoiding, in the future, disasters similar to those which have proved fatal to the success of so many previous experiments.

It will be necessary, in the first place, to distinguish clearly between the failure of Industrial Co-operation and the failure of the co-operative method—a method, as we have seen, adopted, even partially, by only a very small fraction of Industrial Co-operation.

The economists, who have treated of this subject, have pointed out the grave difficulties which exist when working-men undertake commercial and manufacturing enterprise; and have urged that the existence of these difficulties, the chief of which are want of capital, want of business ability, and want of discipline, militate most strongly against the success of Industrial Co-operation. That these difficulties exist, that fifty per cent. of all the "distributive," and seventy-five per cent. of all the "productive," co-operative enterprises, which have been undertaken by working-men up to the present time, have failed to meet with financial success, must be admitted. All the same, the explanation which has usually been given in regard to the failure of Industrial Co-operation, and, in par-

ticular, the allegation commonly made that, while Co-operation may succeed in "distribution," Co-operation is bound to fail in "production" (*i.e.* manufacture), does not appear altogether satisfactory.

The facts stated in preceding chapters prove that Industrial Co-operation has achieved remarkable results in "production" as well as in "distribution," and that the comparative degree of success attained by our co-operators has depended, not so much upon the character of the business which they have undertaken, as upon the method of organization which they have adopted. In a word, the measure of the success attained by Industrial Co-operation has been exactly proportionate to the measure in which the co-operators have rejected or abandoned the Co-operative method of industrial remuneration and organization, and have adhered to, or have fallen back upon, the non-co-operative wage-system. What has failed is, not Industrial Co-operation, but the co-operative method.

It is not denied that success is more easily attainable by Industrial Co-operation in some branches of trade than in others. Undoubtedly, the kind of trade which affords the best field for Industrial Co-operation is retail trade with working-class customers, such as is carried on by our 1,418 "distributive" societies with their annual turnover of close upon £30,000,000, of which amount £3,000,000 is in respect of goods manufactured in the "productive" departments of these stores. The economic advantages gained by a system, under which prompt payment is substituted for long credit, and bad debts are practically unknown, while one store takes the place of half-a-dozen tiny shops, and genuine goods are supplied instead of spurious or adulterated articles, are, in the case of a working-class *clientèle*,* very great indeed—so great

* The system of Industrial Co-operation would be less in place if applied to retail business carried on with middle-class customers, who do not need the bribe of bonus in order to be induced to pay cash, and who find that they can rely upon the Universal Providers to crush out any "superfluous middlemen," and can usually trust the internecine competition between these rivals to secure that all of them shall supply genuine articles at the lowest prices compatible with a reasonable profit. Nor, again, does wholesale trade afford a specially favourable field for Co-operation, the retail traders being, as a rule, experts not easily deceived by spurious goods, being accustomed to pay their debts with

as to cover a multitude of errors in management, and yet leave a handsome margin for distribution among the purchasers as bonus. But, although retail shopkeeping is the field in which are won the most frequent and the most facile triumphs of Industrial Co-operation, the existence of the very important wholesale undertakings carried on by our working-men co-operators, such as, for example, the English Wholesale Society, with its turnover in 1890 of £7,429,073 (including the value of goods manufactured in its "productive" departments to the amount of £341,277), shows us, that it is not in retail trade alone that it is possible for Industrial Co-operation to avoid financial disaster. On the other hand, while Industrial Co-operation carried on upon non-co-operative lines has achieved important results both in wholesale and retail trade, in "production" as well as in "distribution," that which has failed almost universally is Industrial Co-operation as practised by the associations of producers formed to realize the co-operative ideal of the self-governing workshop, in which the workers collectively own the capital and share the profits. And the nearer the approximation to this ideal, the more certain and complete has been the failure of the experiment. The fact is, that the attempt to carry out in practice the theory of Industrial Co-operation always has involved, and, in most cases, always must involve, the presence in their most accentuated form of those radical disadvantages which are admitted to stand in the way of the success of Industrial Co-operation.

In regard to the first of these disadvantages—want of capital—it is certain that in the case of the consumers' societies this disadvantage is seldom present to any appreciable extent. With a capital of from £130 to £150 and a membership of one hundred, a good start may be made;* once the store is opened, more and more members are added; and, as a matter of fact, our consumers' societies have far more capital than they can conveniently employ, and could

comparative regularity, and not complaining—as the customers of the shopkeepers complain—that too many persons are getting a living by supplying their requirements.

* See *Working-men Co-operators*, by Acland and Jones, p. 35.

easily raise additional funds. It is true that store-keeping requires much less capital in proportion to turnover than manufacture. Still, the consumers' associations not only do, as a fact, carry on a very considerable amount of manufacture, but possess abundant means to increase the scale of their operations in this direction, if they thought fit so to do. On the other hand, while the producers' associations, in nearly every case, find their operations hampered, if not crippled, by want of funds, it is obvious that, the more closely any society approaches to the ideal of the co-operative method, according to which the whole of the capital is to be "collectively owned" by the actual workers, the greater is the disadvantage under which this society labours.

With respect to the complete realization of the co-operative ideal, it goes without saying that want of capital is a circumstance inevitably incidental to the co-operative method, and one which makes the general adoption of this method a matter of impossibility. For a body of workpeople (men, women, youths, and girls) to start a modern factory with sufficient capital of their own or borrowed by them to make success possible is, in the large majority of instances, out of the question. If the co-operative workers seek capital from strangers, then these outside capitalists, in most cases, make it a condition that they shall have a voice, and generally obtain a preponderant voice, in the management—a state of things absolutely inconsistent with the co-operative ideal of the government of the workshop by the workers therein. Occasionally it may be possible to obtain a loan from philanthropists who do not stipulate for the right to interfere in the affairs of the factory—a fatal facility; for the working-men, who are capable of succeeding in the conduct of a co-operative business, are just those, who are capable of saving up money, and to whom the acceptance of charitable assistance of any kind is utterly repugnant. As a matter of history, the career of every co-operative society, for which capital has been found upon any other than business terms, has been marked by failure.*

* As to the failure of the French Societies endowed by the State in 1848 and subsequently under the will of Benjamin Rampal, see J. S. Mill, *Political*

We may take it, therefore, that if the co-operative method is to be practised in its integrity, this can only be by an association engaged in a branch of industry in which the amount of capital required in order to ensure legitimate success is small; and by legitimate success we mean success obtained under satisfactory industrial conditions. Even the most thorough-going advocate of theoretic Co-operation would hesitate to encourage a body of courageous and energetic workmen to match themselves, unarmed against armed, to compete, that is, without the necessary plant and cash, against capitalist production provided with labour-saving machinery and abundant resources, thus perpetuating all the evils incidental to the struggle of the old, small industry against the new, great industry, of the domestic garret system against the factory system.

Turning now to the question of the want of business ability, while—as will be shown—this disadvantage is likely to affect in an especial degree those types of co-operative enterprise in which the co-operative method is consistently adhered to, in regard to the great bulk of Industrial Co-operation (by which this co-operative method is altogether rejected) this obstacle to success exists in a much smaller degree. And, indeed, so far as concerns this dominant type of Industrial Co-operation—that in which the workers are employed under the ordinary non-co-operative wage-system—it may well be doubted whether the want of business ability does, in fact, constitute so grave an obstacle as is commonly supposed.

This is a point upon which a somewhat full explanation may be permitted. The economists, who have set themselves to expound the difficulties which lie in the way of successful Co-operation, have invariably dilated on the great importance to be attached to the functions of the *entrepreneur;* and have gone on to show that Industrial Co-operation is bound to fail, because it is impossible for a body of working-men efficiently

Economy, 6th edition, p. 354: and Ugo Rabbeno *Le Società Cooperative di Produzione*, pp. 79, &c., 148, &c. In regard to English societies Messrs. Acland and Jones remark "A society which is in part propped up by the patronage of others rarely flourishes. It should not, as a rule, accept loans or gifts," *Working-men Co-operators*, p. 36.

to exercise these functions. Now, if we set ourselves to examine the question, how far it is possible for associated working-men to compete successfully with other employers, we have two distinct points to consider. In the first place a co-operative association may be admitted to be at a disadvantage because it is an association, and not an individual. There are cases, no doubt, in which a private business, carried on by one individual or by a few partners, possesses a better chance of success than a business carried on by a public association. But this defect in the constitution of a co-operative association is one which exists in an equal degree in the case of all public joint-stock companies; and, while it is admitted that a large proportion of associations formed by working-men have failed, it cannot be denied that a very great number of companies, floated every year by middle-class promoters, meet with financial disaster. Into the question of the comparative merits of private and of joint-stock enterprises we cannot now enter. Admitting that a "one-man" business owned and managed by a millionaire with a "master-mind," is likely to be better managed than a joint-stock concern owned by a body of shareholders, whether belonging to the middle-classes or to the working-classes, we must remember that in these days the amount of capital necessary to ensure success is so great, that a very large part of our business undertakings could never exist at all, if it were not for the joint-stock system. There are not enough millionaires with master-minds "to go round."

The fair comparison, therefore, is, not between a co-operative association and a private employer, but between an association of working-men and a company whose capital is owned by middle-class shareholders. It is not denied that the average middle-class shareholder is rather less incompetent to interfere with discretion in the affairs of a company than the average working-man co-operator; though the difference between the two classes is by no means so considerable as is generally supposed, and tends, day by day, to grow smaller. No doubt, if shareholders were, as a matter of fact, in a position to influence the conduct of a joint-stock business, then Jones, the retired builder, who has invested a fraction of

his savings in a brewery company or a soap-making company, would make a more useful shareholder than Jones, the bricklayer. But the fact is that neither Jones, the retired builder, nor his fellow-shareholder Brown, of no occupation (because too stupid to undertake any occupation), nor poor Mr. Quiverfull, the country parson, nor that boon and blessing to company promoters, the dividend-hunting widow, is allowed to exercise more than a merely nominal influence in the conduct of the company's affairs. Whether Jones's brewery shares stand at a discount or at a premium depends, in the main, upon the ability and the industry of the directors. So that the real question is whether a body of working-class committee-men elected by an association of working-men is likely to manage a business as ably, strongly and shrewdly as a board elected by middle-class shareholders and composed of middle-class directors with a fair sprinkling of titled "guinea-pigs." It would be absurd to deny that the special training possessed by many of the directors of many companies makes them very greatly superior to the working-men who sit on the committees of our co-operative societies, or to assert that these working-men could manage with success any and every kind of business. But, at any rate, the facts show that in commercial enterprise of vast extent and very varied character (including, not only retail shop-keeping, but wholesale trading, manufactures of many kinds, shipping, insurance, and banking)* the executive committees of our British associations of working-men contrive to hold their own fairly well. Associations, which in 1890 had a total turnover of approximately £40,500,000,† including goods of their own manufacture to the value of about £5,700,000,‡ must be recognised to possess elements of vigorous vitality.

Astounding as it must appear to those who believe that the possession of ability in organization and administration is the exclusive birth-right and privilege of the middle-classes, the

* The turnover of the banking department of the English Wholesale Society is now (1891) upwards of £26,000,000 a year.

† Exclusive of the turnover of middle-class concerns (*e.g.* the three Civil Service Supply Associations and the Agricultural and Horticultural Association) included in the Returns of the Co-operative Union.

‡ Exclusive of the output of the Industrial Partnership, Wm. Thomson & Sons.

success of Industrial Co-operation is a phenomenon easy of explanation. Although, of course, no one would contend that the average working-man is, as yet, competent successfully to fulfil the functions of the *entrepreneur*, yet it is indisputable that working-men exist, and that in considerable numbers, who are fairly capable, and in some cases extremely capable, of organizing and of administering business enterprises. Now, the success of Industrial Co-operation is accounted for by the fact that the constitution of the large majority among our co-operative societies affords ample opportunity to men of this stamp and calibre to take a leading part in the direction of these undertakings.

This—the possibility of selecting for committee-men the most capable among a large number of working-men—being the main explanation of the success which has attended our co-operators in their attempt to exercise the functions of the *entrepreneur*, we might reasonably expect to find that the comparative prosperity of the different classes of co-operative societies varies directly, as these societies have, in regard to the appointment of their executive, a wider or a narrower range of choice; and such is undeniably the case. That form of Industrial Co-operation, which has (on the whole) succeeded, is the wide-franchised consumers' association: that, which has (on the whole) failed, is the narrow-franchised producers' association. Take, for example, the most important of all the consumers' associations, the English Wholesale Society, a federation of 941 distinct societies comprising in the aggregate some 721,316 individual members. The persons, by whom the affairs of this gigantic enterprise, with its capital (share and loan) of £1,237,136, are managed, are selected from this vast constituency of nearly three-quarters of a million working-men, and are, as might be supposed, men of considerable capacity. The great federal corn mills, again, are owned each by numerous distinct societies, and the persons elected as their directors are men chosen as the ablest among a very large number of working-men. As to the "distributive" societies, in which the holding of a £1 share is, in nearly all cases, sufficient for full membership, most societies indeed permitting a member to vote as soon as he has paid his entrance fee, here

the franchise is one of a very wide character, the average number of members in each of our 1,418 store societies being 724.* Thus, when more than seven hundred members of a local store set to work to select a few capable persons to act as their committee, the probability of their getting together a body fairly capable of performing with efficiency the functions of the *entrepreneur* is considerable. Now, compare the fifty-one producers' associations in Miss Potter's Appendix II. These have each (on the average) 148 members: but the range of choice by no means extends to the whole 148; for many of the shares are, in many cases, held by "distributive" societies or by persons living at a distance, from neither of which classes is it practicable to choose committee-men. Other things being equal, it would certainly appear that the chances in favour of a society's being able to get together a strong committee are at least four or five times as great in the case of a consumers' store association as in the case of one of these so-called "self-governing" associations of producers.†

* Some of the "distributive" societies have a membership much exceeding this average. Thus, the very successful Leeds society has 26,846 members; the Bolton has 15,080; the Manchester has 11,936; the Rochdale (Equitable Pioneers) has 11,352; the Oldham (Industrial) has 10,566.

† The character of the mistakes made by committees of working-men owing to want of experience in business management could only properly be appreciated, if space could be found to give in detail a history of the working of a large number of societies, especially of those of the "self-governing" type, in which, the membership being small, the range of selection in regard to the committee is much restricted. But a few examples may be useful. "Over-stocking" with a view to provide employment, when orders are scarce, is a common fault, the goods thus produced having to be sold at an enormous sacrifice, or even pledged "at common pawnshops for sums ridiculously below the cost" (*Report of* 1889 *Congress*, p. 76). One of the most successful of the "self-governing" societies, which manufactures boots for supply to the retail stores, recently opened a shop in a town in which some of its customers ("distributive" societies) were already selling its goods. Naturally enough, these "distributives" objected to this rivalry; and in order to avoid losing valuable custom, the unfortunate committee was compelled after a few days to close the shop, its blundering policy involving a loss to the "productive" association of about £130. No middle-class manufacturer, except a man who could afford to defy the displeasure of his shop-keeping clients, would ever dream of trying to sell his goods (unless in a retail shop carried on under a pseudonym) in competition with his regular customers. Another mistake due to lack of commercial knowledge is the granting of credit to insolvent firms;

Observe, further, that, while these producers' associations have each (on the average) 148 members, only 32 (on the average) of these members, or less than one quarter, are persons working for the society. Thus, these associations altogether fail to fulfil that cardinal requirement of the co-operative method—the requirement that the ownership of the capital is to be confined to the actual workers; and their membership is, therefore, much more extended than would be the case in the ideal association of self-employed workers. The typical, "genuine" producers' association, in which the whole of the capital is owned by the actual workers, when it proceeds to choose its committee from among its six to sixty members,* is likely to find the narrowness of the range of selection decidedly prejudicial to its chances of securing an executive possessing an adequate amount of business ability.

Thus, although we may see no reason for supposing it to be in all cases alike impossible, or even difficult, for an association composed of working-men to manage a business with a fair measure of success, yet, when this business is carried on upon the lines of the co-operative ideal, the capital being owned by, and the management being placed in the hands of the actual workers, then the considerations above advanced prove that the experiment is likely to avoid failure only if care has been taken to select a trade in which neither a large capital nor a great amount of business capacity is necessary to ensure success.

and it must be remembered that co-operative manufacturing societies are usually unable to deal with any but inferior firms, the more substantial among the middle-class houses declining, as a rule, to buy from the co-operators, who are the subjects of a rigorous trade boycott. In order to avoid making mistakes of this nature very many co-operative manufacturing societies have, after a brief and bitter experience of the outside market, resolved, most wisely, to confine themselves to dealing with co-operative associations.

* The number of working-men and women owning each, say, £30 to £40, and willing to invest this sum in "self-employment," to be found in a given trade at a given place is not likely to be large. But in cases, in which a smaller capital is required, the number of the members of the "self-governing workshop" might be greater. In any case it is desirable that no great disparity shall exist between the contributions of the different members; otherwise conflicts of interest are likely to arise, obviously prejudicial to the proper working of the association.

It might be said that, even if it be difficult for a co-operative society of the ideal type to get together a capable committee, yet the efficient direction of the business might be secured, if the associated workers were to entrust this task to a competent and experienced business man, reserving the right to dismiss this manager in case of misconduct. In practice, however, it will be found that, while working-men imbued with the ideas underlying the co-operative method are rarely willing to believe that the *entrepreneur* does any work worth more than a very moderate remuneration, and usually decline to offer to their manager a salary sufficient to secure the services of a good man, the operations carried on by our ideal band of, say, fifty self-employed workmen will necessarily be upon so small a scale, that they could not—even if willing—afford to pay a salary of such dimensions as to attract first-class ability.

Let us, however, imagine that, by an unlikely accident, our typical self-governing association has submitted itself to the control of a man possessing the requisite qualities, engaged as a dismissible dictator. Easily dismissible the manager must be; otherwise the essential element of the self-government of the workers is absent, and the constitution of the society has sunk to the level of mere Industrial Partnership. Being easily dismissible, the odds are that the manager will be speedily dismissed. To cite a few examples within the knowledge of the writer, the Working Tailors' Association had four changes of management within eighteen months; Burnley Self-help (cotton-spinning) had four managers in three years; Burnley Industrial (cotton-weaving) had three different managers and three different secretaries in little more than one year. Even while his short day lasts, the manager of a society, the capital of which is largely owned by the actual workers, is seldom allowed to exercise much real authority. The "self-employed" workmen brow-beat the committee-men, and the committee bullies the manager. In the words of Miss Potter, "Imagine the condition of affairs in a factory in which the workers choose the committee of management from among themselves, the committee-men and men select the manager and overseers—the

committee, manager, and foremen all working together in a highly organized system of divided and interdependent labour. Throughout the day the committee-men are subordinate to the manager; their work must be examined, prices fixed, deductions for mistakes and oversights made, their behaviour controlled—all the numberless acts of organization and supervision (upon the exact fulfilment of which depends the prosperity of the concern) must be carried out by the manager and the foremen. In the evening the scene is changed, and the relations reversed. The manager stands as a servant before the board of directors. If the manager has refused to pass the work of a committee-man, if he has dismissed his relative or friend, if he has given out to the piece-workers material difficult to manipulate but of a quality as good as could be bought at the price needful to secure a profitable market for the product—every act of commercial policy or administrative discipline is discussed and reviewed by the light of the individual interest of the wage-earners, who act as directors or select as constituents."*

So far as the "self-governing" type is concerned, the allegation made by the critics of Industrial Co-operation, that the want of proper discipline must be fatal to success, unquestionably possess a large measure of truth. By the consumers' associations, of course, no attempt to allow the store-keepers to run the store, or the millers to manage the affairs of the federal corn mill, is so much as thought of; and to Industrial Co-operation of this type the criticism just referred to is wholly inapplicable. So far, however, as concerns the associations of producers, experience has shown that the more completely the arrangements incidental to the co-operative method—"the government of the workshop by the workers in that workshop, for the benefit of themselves, the actual workers"†—are carried out, the more marked, as a rule, is the absence of that degree of discipline which is indispensable to the attainment of success.

To sum up: it is evident that the classes of business which are suitable for the operations of a self-governing association

* *The Co-operative Movement*, by Beatrice Potter, pp. 152, 153.

† See *The Co-operative Movement To-day*, by G. J. Holyoake, p. 130.

of co-operators are those (1) in which the capital required is small, (2) in which the special mercantile ability of the skilful *entrepreneur,* as distinguished from the technical ability of the skilful artisan, is little called into play, and (3) in which the organization appropriate to the enterprise is of as simple a character as possible.

In the development of this simple and practicable kind of Co-operation, it must be confessed that this country is behind others, notably the Slavonic countries and Italy. The extent, to which the system known in Russia as the *artel,* and the analogous Bulgarian institution, the *zadrouga,* have for many centuries prevailed in eastern Europe, is very remarkable, when compared with the want of success which has attended the more ambitious co-operative experiments of the West.* In Russia the *artel* has existed since the fourteenth century, at any rate. Charters, still in existence, were given by the first grand-dukes of Moscow to associations of falconers; and *artels* of this kind are to be found to-day. Hunters of all kinds—hunters of squirrel, of bear, and of sea-cow, are united in *artels;* so are fishermen. Associations of carpenters, of stonemasons, and of blacksmiths are very numerous. In the northern governments (Archangel, Vologda, Olonetz, &c.) tracts of virgin forest are cleared by *artels.* Then there are the dockers' *artels* (*e.g.* in the Port of Riga); and the great confederated *artels,* to which the State grants the privilege of doing all porterage required in connection with the custom-houses, and the smaller bodies to be found doing similar work at most of the large railway stations, the entire confederation in the former case, and the individual *artel* in the latter, being pecuniarily responsible for any article stolen, lost, or damaged by any member of the fraternity. *Artels* of pilots are to be met with in some parts of Russia (for instance, on the lower Dnieper). Casual travellers, finding that their road is to be the same, at once form themselves into an *artel,* a sort of co-operative Cook's party. The poor wretches exiled to Siberia form *artels*

* Co-operation of this primitive type exists, of course, though to a smaller extent, in England (see *ante,* pp. 88, 89), and in other countries (as to gang-work among Belgians and Italians see *Board of Trade Journal,* April, 1891, p. 374; and in Pomerania see *Consular Reports,* 1891, No. 882, p. 6).

on the march, which collect, and divide equally among all, the gifts of the charitable. In Bulgaria the *artel* system, under the name of *zadrouga,* is universal. There are numerous associations of carpenters, in particular, and most important *zadrougas* of market gardeners, of whom not less than twelve thousand are united in groups of this nature, some of these groups finding their way even into Belgium and France.

With these Slavonic races the habit of co-operative combination, whether in the form of local self-government or in that of these semi-patriarchal, semi co-operative *artels* and *zadrougas* is a spontaneous, indigenous, characteristic.*

In Italy, on the other hand, the form of Industrial Co-operation, to which it is desired to direct attention, is, not the outcome of traditional customs, but a new growth—a social experiment. The character of, and the results so far obtained by, this experiment, it will be proper briefly to describe. For the conditions, under which these associations of *braccianti* (labourers of the navvy type) have been organized, are precisely those indicated above as essential to the success of experiments in the application of the co-operative method of industrial remuneration and organization. The first of these associations was formed at Ravenna by 302 workmen, who commenced operations in 1884 with a capital of £240 saved from wages. Since almost the only outlay required was for pickaxes, barrows, &c., and in many cases these were already possessed by the workmen, this small sum sufficed. Now there are between 2,500 and 3,000 members (navvies, carters, paviors, and sawyers), the paid-up capital at the end of 1889 being £1,860 with a Reserve Fund of £508 and a Pension Fund of £714 in addition to loan capital borrowed from bankers upon commercial terms. The association has been engaged in the business of a works contractor, undertaking earthworks and drainage in Italy, and also railway, canal, and drainage work beyond the frontiers. The total value of the work done between 1884 and the end of 1889 was approximately £70,000, on

* See especially *Les Artèles et le mouvement coopératif en Russie,* by W. Louginine; Ugo Rabbeno's *Le società cooperative di produzione,* pp. 6-9; *Board of Trade Journal,* August, 1890, pp. 219-221; *Co-operative News,* September 13th, 1890.

which a net profit was made of about £2,000. "During the present year, 1891, the society, having formed a union with other co-operative labourers' societies, established in the Romagna, has contracted with a private firm to execute works on the Larissa-Piræus Railway in Greece to the amount of £520,000."* The plan adopted by this association is to sub-let the work in sections at ten per cent. below the contract price to piece-work squads. While the wages of the workmen are far higher than they would earn, if employed elsewhere, they divide between them all the profits, 40 per cent. of these profits being distributed in cash, 40 per cent. placed to the Reserve Fund and 20 per cent. to the Pension Fund. It is said that the association has effected a marked improvement in the character of the workpeople, ill-conducted persons not long remaining members. This pioneer association has found many imitators, some of which have successfully undertaken works of considerable importance.

It is worthy of remark that, with a view to facilitate the execution of public works by co-operative associations of the character above described, the Italian Government has made special provision for dividing contracts into two separate parts, the contract for the supply of materials being in these cases separate from the contract for labour. Steps in the same direction have been taken by the municipality of Milan.†

Although we have, so far as I am aware, in the mother country no exact parallel to these Italian navvies' associations, the Government of New Zealand appears to have adopted the practice of making contracts for railway construction with co-operative societies similar in character to these Italian

* *Report by Consul-General Sir D. Colnaghi*, F.O., 1891, No. 211, p. 48; for further details in regard to these societies see *Seventeenth Report of Massachusetts Labour Bureau*, 1886, p. 144; Ugo Rabbeno, *Le Società Cooperative di Produzione*, pp. 298-303; *Report by Consul Franz*, F.O., 1890, No. 633, p. 19.

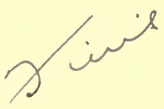
† *Report of Consul-General Colnaghi*, p. 76; see also p. 43. In France co-operative societies formed by working-men enjoy, by order of the Government, special privileges in regard to public contracts; (1) such societies are exempted from depositing caution-money for works or supplies under £2,000 in value, (2) have the preference at equal tenders over other contractors; and (3) have the privilege of receiving fortnightly payments on account (*Report of Sir J. Crowe*, F.O., 1891, No 213, p. 11).

associations of navvies, the industrial group in each case undertaking the execution of a specified section of the work at an agreed price. "The first contract let in this way left the men a balance of £1,200 for a year's work, after paying 10*s* a day, and 12*s* to foremen; and employing twenty-seven more men than the contractors did."*

In the instances just cited we have examples of a type of association in which the conditions indispensable to the success of the attempt to adopt in its integrity the co-operative method are in an eminent degree present. For, while the work undertaken does not demand, to any considerable extent, the exercise of that special kind of skill in business management which working-men cannot, as a rule, fairly be expected to possess in perfection, the capital required is small, and is provided by the contributions, more or less equal in amount, of a large number of working-men of specially energetic and prudent character, the most capable members being chosen as leaders, to whose orders, given in the common interest of all, a ready and a cheerful obedience is given by all. Made under conditions such as these, the attempt to carry out the co-operative ideal of the government of the workers by the workers for the workers is one which should possess an excellent chance of achieving substantial success. Working-men—it may freely be admitted—will, as a rule, be wise to leave to their employer the laborious and difficult duties of the *entrepreneur*, insisting only that they shall receive the highest wages that the trade will bear, and resisting any approach to tyranny on the part of either capitalist, manager, or foreman. At the same time, it is not unreasonable to expect that the cases, in which it may be practicable to adopt the co-operative method of industrial remuneration, will, as time goes on, become more and more numerous. If, as we may hope, the gradual growth of a higher social morality shall bring with it the rise of a spirit of closer comradeship and the development of habits of voluntary discipline, while the general diffusion of educational facilities day by day

* *Australian Co-operative News*, June, 1891, quoted in *Co-operative News*, July 25th, 1891.

improves the intellectual status of the working-classes, then some of the gravest of the obstacles to the successful realization of the ideal of "self-employment" will have been removed. Whatever be the future reserved for the co-operative method, it is certain that every genuine attempt to carry out this system possesses features entitling it to command our hearty sympathy. For the co-operative method, training men, as it does, to habits of self-control, developing, as it does, mutual goodwill between loyal associates, and promoting, as no other method can do, self-respect and self-reliance, merits the admiration of all who have at heart the welfare of their fellow-citizens.



APPENDIX A.

THE YALE AND TOWNE MANUFACTURING CO., STAMFORD, CONN.

RULES FOR "GAIN-SHARING" SYSTEM IN IRON FOUNDRY, DECEMBER, 1887.

1.—*Contract Period.*

The present contract between the company and the employees of the foundry will cover a period from December 1st, 1887, to December 1st, 1888, and will be subject to revision after the latter date.

2.—*The System.*

The "gain-sharing" system has been in operation during 1887 throughout the greater part of Department A, where some two hundred men are now at work under it. Its essential principle is this: that out of each $100 of savings or "gain" in the cost of product, in labour and supplies, the company retains only $50, the other $50 being divided among the employees in the department. To accomplish this the company agrees to organize the method of operation, to keep the necessary accounts, and in general to facilitate matters so far as it reasonably can; the employees, on the other hand, agree to use their best efforts to increase the efficiency of their work, to economise in the use of supplies and material, and in general to do their share towards reducing the cost of finished products.

3.—*Contract Prices.*

To establish a basis by which to measure the saving or gain effected, the following plan has been adopted:—The average prices for metal and fuel which prevailed during the past six months have been carefully ascertained, and these prices have been adopted for the contract period; applying these prices to the product of the foundry for the past six months, all other items of labour and supplies being extended at their actual amounts, the cost per pound of castings of each class during the past six months has been ascertained; the prices thus ascertained are adopted as the *basis prices* for the contract period.

4.—*Contract Profit or Gain.*

At the close of each month of the contract period the cost of castings produced during the month will be ascertained by charging up the metal and fuel at the *fixed prices* adopted as above, and charging all other items, including wages and supplies, at actual cost. If the cost of castings thus ascertained is less

than the *basis cost* determined as above, the difference between the two will be the saving or gain for the month. The results of each month's operations will be posted in the foundry for the information of the employees.

5.—*Division of Profits.*

Within thirty days after the close of the contract year the total amount of saving or gain will be divided as follows:

Fifty per cent. will be retained by the company.

Ten per cent. will be allotted to the foreman of the foundry.

Forty per cent. will be distributed among the employees of the foundry in the proportion of the actual wages earned by each during the contract year.

6.—*Wages Rates.*

The wages of each employee will be fixed, as heretofore, by the foreman of the foundry, who will continue to have full discretion in the employment and discharge of the help required, and in the direction of their work.

7.—*Payment of Profits.*

Each employee will be entitled to his *pro rata* share of the profits whether he has worked during the whole year or only a portion thereof. Any share of profits belonging to those who may honourably leave the company's service during the year will be forwarded to them, provided they shall have given proper information as to their address. Any profits due to employees, and not claimed within three months after the close of any yearly contract period, will thereby become forfeited: all sums thus forfeited will be paid over by the company to the Yale and Towne Mutual Benefit Society.

8.—*Piece-Work.*

Wherever feasible, the system of piece-work will be employed, the piece-rates being fixed by the foreman subject to approval by the company. All employees, whether working by the day, or by the piece, will be entitled to their proportionate share of the annual profits on the basis of the actual wages earned by each.

9.—*Foundry Supplies.*

The foundry account will be charged with all supplies furnished by the company. The items so charged will include metals, fuel, sand, sieves, files, shovels, oil, waste, brooms, repairs, and, in general, everything consumed in the foundry.

The supplies on hand at the beginning of the contract period will be charged to the foundry account, and those on hand at the end of the year will be credited to the same account.

10.—*Guaranty.*

The company guarantees the payment to the employees of the foundry of the regular wages earned by each, on day-work or

piece-work, irrespective of whether this contract shows a profit or not.

11.—*Conditions.*

The effect of the system being to give every workman employed under this contract a participation in the profits resulting from it, it is hereby stipulated, as a condition of the employment of each and every person engaged under this system, that, in consideration of the interest assigned him in the profits of the contract, all claim thereto shall be forfeited by him in the event of his discharge by reason of misconduct or incompetency, or in the event of his combining with others in any way to disturb or affect the relations between the company and its employees. This provision in no way curtails the right of each employee to negotiate with the company, through the foreman, in regard to his own rate of wages, nor does it in any way impair the title of each employee to his proportionate share of the profits in the event of his honourably leaving the company's service, whether at its desire or his own.

12.—*Shop Rules.*

All employees will continue to be governed by the shop rules of the company, which are hereby referred to and made a part of this contract and agreement.

Extract from paper on "Gain-sharing," read at the Erie Meeting of the American Society of Mechanical Engineers by Henry R. Towne.

In the case of a foundry, the "gain-sharing" system can be easily and advantageously applied. Here economy of material as well as efficiency of labour is largely under control of the operatives, and should be made a factor in the account. This can be accomplished by basing the "cost of product" upon the ascertained results of a previous period, labour and miscellaneous items of small supplies being charged up at actual cost, and fuel and metal being charged according to an arbitrary scale of fixed prices, which may conveniently be determined by adopting the average market rate during the previous year, or at its close. The arbitrary values for material which are thus adopted are then incorporated in the gain-sharing contract, and remain unchanged during its period. The "contract prices" for finished product are deduced from the actual results of the preliminary period, the cost of material being calculated by extending the actual quantities at the arbitrary prices per pound or other unit which may have been adopted for the proposed contract, the employer using his discretion as to how close the contract prices should be to previous actual costs. Where the foundry product is of varied character, a separate price is fixed for each class of castings, and a record kept of the output of each. (*Sixth Annual Report of the Connecticut Bureau of Labour Statistics*, 1890, p. 236.)

APPENDIX B.

THE MORGAN CRUCIBLE CO. BENEFIT SCHEME.

To our Employees.

It has been our custom to make provision for those who, having rendered long and good service, have broken down in health, or become incapacitated through age; and we now propose to extend this system with a view to increase the good feeling existing between us and our employees, and to encourage thrift and sobriety.

Clause I.—Bonuses.

With this object we intend to make an annual gift by way of bonus to those in our employ at weekly wages, as follows:—

Over 6 months' and under 1 year's continuous service of $2\frac{1}{2}$ per cent. or 6*d* in the £ on the term of service.

One year and under 5 years' continuous service of $3\frac{3}{4}$ per cent. or 9*d* in the £ on the year's wages.

Five years' and upwards continuous service of 5 per cent. or 1*s* in the £ on the year's wages.

The above will be calculated on the average weekly rate of wages for August, September, and October in each year. Deductions from the bonus will be made at our discretion in cases of misconduct, idleness, bad time-keeping, and other irregularities.

The year will close on October 31st, and payment will be made during November.

The amount of bonus must be paid into the Post Office Savings Bank, and the book produced in proof thereof within three days.

As a further incentive to thrift, we propose giving $2\frac{1}{2}$ per cent. per annum, or 6*d* in the £ on the amount of savings up to £20, standing to the credit of any weekly employee at the Post Office Savings Bank on October 31st in each year.

For the purpose of this clause continuous service will reckon from November 1st, 1878.

The foregoing will take effect as from October 31st, 1882; and thus the first payment of bonuses will take place in November, 1883.

Clause II.—Pensions.

In cases of permanent incapacity to work from old age; or illness, such as blindness, paralysis, or insanity, we intend to supplement the savings made by each employee by an allowance in cases of those in receipt of weekly wages,

After 10 years' continuous service, of 6*s* per week.
„ 15 „ „ „ 8*s* „
„ 20 „ „ „ 10*s* „

Or a monthly allowance in cases of those in receipt of monthly salaries—

After 20 years' continuous service, of 30 per cent. of salary at date of retirement;

The time at which a man is to be retired under this clause shall be at our discretion.

Clause III.—Deaths.

In the event of Death from Natural Causes (whilst in our service) of anyone leaving a widow, child under 14 years, or aged parent who has been dependent on him for support, the following amounts will be paid:—

Three months wages, or salary, after not less than 10 years' continuous service;

Six months wages, or salary, after 20 years' and upwards continuous service;

less all sums that may have been paid as pension under Clause II. For the purpose of this Clause, an employee shall not be deemed to have left our service when retired on a pension.

Under Clauses II. and III. continuous service will be reckoned from its commencement.

Clause IV.—Accidents.

We propose to pay to anyone engaged in our employment, who shall meet with a non-fatal bodily injury which shall disable him from performing his duties (whether the nature of the accident is such as to entail responsibility under the Employers' Liability Act or not), a weekly sum during disablement, equal to two-thirds of his wages or salary at the time of the accident for a period not exceeding 26 weeks. Or if such injury be the direct, evident, and immediate cause of death within three months of his sustaining the same, we propose to pay a sum equal to one year's wages or salary, calculated upon the average of the then previous three months pay, less any amount paid in respect of disablement due to the accident which was the cause of death. This provision is not intended to cancel any claim that could be made under The Employers' Liability Act; but in any case in which such claim is made by the employee, or his representatives, it must be understood that he or they forfeit all benefits conferred by these schemes.

General Provisions.

In no case will an employee be eligible for any benefits should he be under notice to leave, have given notice to leave, or have left our employment.

The calling out of reserve or militia men will not be deemed an interruption of continuous service.

In announcing these schemes, which we intend to carry out in the considerate spirit in which they have been planned, it must be distinctly understood that the Bonuses, &c., are free gifts, and are intended as rewards for good service and faithful attachment, of which we are to be the sole and absolute judges. Therefore, to protect ourselves from possible complications, it is necessary clearly

to set forth the fact, as we do, that these benefit arrangements a purely voluntary on our part, and may be withdrawn by us, eith wholly, partially, or in any particular case, if we see reason f doing so; and that the scheme is in no way to hamper us engaging or discharging our employees, or in giving effect to su regulations as may be in existence, or we may see fit to make fro time to time for the proper working of our business.

It will be obvious that, to carry out the foregoing, a large year sum will have to be expended by us, we therefore trust that v shall have the hearty co-operation of all employed in our works turning out not only a larger quantity, but a better quality of wo in the future.

THE MORGAN CRUCIBLE COMPANY,
March, 1883. Battersea Works, S.W.

APPENDIX C.

LONDON & SOUTH-WESTERN RAILWAY COMPANY.

INSTITUTIONS FOR THE BENEFIT OF EMPLOYEES.

1. *Superannuation Fund*, established 1864. This is administere by an Association, the affairs of which are managed by a Committ one half appointed by the Company, one half appointed by Contributing Members. All salaried officers of the Company n be Members. These employees contribute to the Fund $2\frac{1}{2}$ per ce upon their salaries; the Company contributes an equal amoun The Fund is accumulated in the hands of the Company at 5 pe cent. interest (or, if the assets should exceed the liabilities by mor than £5,000, at a lower rate not less than 4 per cent.). The amount standing to the credit of this Fund was in 1891 £127,433 and the number of the Contributing Members was 1,217. Each member is entitled to receive an annuity on attaining the age of 60 (or, at his option, at any age from 61 to 65 inclusive). If he leave the service of the Company, or if he die before reaching the age at which his superannuation is payable, his contributions are repaid without interest to him, or to his representatives. If, after contributing for not less than 10 years, but before reaching the age at which his superannuation is payable, a Member become incapacitated from performing his duties, he receives a reduced annuity payable forthwith.

2. *Staff Pension Fund*, established 1881, in order to meet the case of certain of the Company's Officers, who, having entered its service long before the foundation of the Superannuation Fund, were unable to benefit to the full extent of its provisions. Each of these employees is, by means of the Staff Pension Fund, enabled to obtain a retiring allowance at the rate of 75 per cent. of the average salary of his entire service at 60 years of age, and the full amount of the average salary of his entire service at 65 years of age,

bject to 40 years' service in each case, with proportionate lowance for shorter length of service. This fund is maintained tirely by the Company at their own cost, and is under the anagement of the Directors. The amount at credit of this fund 1891 was £3,360.

3. *The London and South-Western Railway Friendly Society*, tablished 1849, for provision of weekly allowances in case of ckness, insanity, or disability by accident, Medical Attendance, eath Allowance, and Old Age Pensions. To the contributions ade by the Members the Company adds an annual amount of 1,621. 17*s* 6*d*. The funds of the Society are allowed to remain on posit in the hands of the Company at 5 per cent. interest. These nds amounted in 1891 to £33,200.

4. *The London and South-Western Railway New Provident and ck Benefit Society*, established 1882 (the first Society then closing membership), to provide weekly allowances in case of sickness, anity, or disability, Medical Attendance, and Death Allowance. funds are allowed to remain on deposit with the Company at er cent. interest. These funds amounted in 1891 to £2,200.

5. *Pension Fund*, established 1890, in order to provide for such the Wages-Paid Staff of the Company not in a position to avail emselves of the other superannuation and pension funds, as have mpleted at least 25 years' service. Thus, *e.g.* a man whose ages are 35*s* a week, on retiring after 40 years' service at e age of 65, receives a weekly allowance of 10*s* 10*d*; if he retire er 35 years' service at the age of 60, he receives a weekly owance of 8*s* 9*d*. These allowances are provided by the Company tirely at their own cost, and the management of the Fund is in e hands of the Directors. The balance at its credit in 1891 was 1,130.

6. *London and South-Western Railway Widows and Orphans enefit Society*, established 1861, in order to provide benefits for dows and children of deceased employees of the Company. The ntributions of the Members are aided by an annual vote from the mpany, who allow the accumulated funds (£16,260 in 1891) to main with them on favourable terms.

7. *London and South-Western Railway Savings Bank*, established der the authority of the South-Western Railway (Various wers) Act, 1876, section 39. The savings of the employees are ceived into the keeping of the Company, which allows interest the rate of 4 per cent. By the Act above mentioned the monies posited and interest are a charge on the net profits of the mpany's undertaking. Amount on deposit in 1891, £69,500.

8. *London and South-Western Railway Institute and Club*, with a brary containing 55,000 volumes, billiard room, &c.; classes for the udy of various subjects, a temperance society, a provident society, dramatic club, a cycling club, and an angling club are attached this institution, which the Company assists by giving the free e of the premises occupied by it, and by granting an annual ntribution to its funds.

APPENDIX D.

LIST OF BRITISH PROFIT-SHARING FIRMS.

System Commenced.	Name.	Address.	Business.	No. of Employees.
1874	Agricultural and Horticultural Association, Limited	3, Agar St., London, W.C.(and Deptford)	Seedsmen, Cake & Manure Manfctr.	about 100
1886	Arrowsmith, J. W.	Quay Place, Bristol...	Printer and Publisher	about 60
1888	Binns & Co.	Market Place, Derby..	Corn Factors and Seedsmen	12
1884	Blundell, Spence & Co., Limited	Beverley Road, Hull, and London	Colour & Varnish Manufacturers..	330
1891	Bromhead, J., & Co.	Southmead Steam Laundry, Westbury, near Bristol	Laundrymen ...	75
1882	Brooke, Bond & Co.	17, St. Dunstan's Hill, London, E.C.....	Wholesale Tea Blenders.....	154
1886	Burroughs, Wellcome & Co. ...	Snow Hill Buildings, London, E.C.....	Manufacturing Chemists	200
1888	Bushill, Thos., & Sons	Coventry	Printers, Mnfctrg. Stationers, &c...	180
1878	Cassell & Co., Limited	Belle Sauvage Works, London, E.C.....	Printers and Publishers.....	1,100
1890	Clarke, Nickolls & Coombs, Ltd.	Hackney Wick, London, N.E.	Confectionery Manufacturers..	1,000
1891	Collard, Joseph	13, Cranbourn Street, London, W.C.....	Printer	23
1888	Walker Sons & Co., Limited...	Colombo and Candy, Ceylon ; London Office : 72, Bishopsgate Street, E.C. ...	Engineers and Merchants	500
1880	Co-operative Needlewomen's Society	34, Brook Street, Holborn, London, E.C...	Needlework	6
1889	Coventry Gas Fittings Co.....	Hertford St., Coventry	Gas Fitters, &c...	6
1884	De St. Dalmas, A.	40, Belgrave Gate, Leicester.....	Manufacturing Chemist	18
1883	D'Oyly & Co., Limited (formerly Decorative Co-op. Association)	405, Oxford Street, London, W.....	House Painters, Plumbers, &c...	—
1890	*Drake & Gorham	2, Prince's Mansions, Victoria St., London	Electrical Engineers	70
1890	East Anglian Fruit Preserving Co.	King's Lynn.....	Jam and Confectionery Mnftrs.	16
1890	Edmeston, A., & Sons.....	Cannon Street Ironworks, Salford	Millwrights and Engineers	45
1869	Fletcher & Son.....	Castle Works, Norwich	Printers and Publishers.....	200
1876	Goodall & Suddick.....	Cookridge St., Leeds..	Stationers and Printers	300
1886	Grey, Albert.....	Howick, Northumberland.....	Farming East and Wst Learmouth, Howick, Chevington Estates..	117
1890	Hailing, Thomas.....	Oxford Works, Cheltenham	Printer	9
1886	Hazell, Watson & Viney, Ltd.	1, Creed Lane, London, E C.....	Printers, &c.....	1,200
1890	Headley Brothers	Ashford, Kent	Printers, &c.....	24
1889	Hepburn & Co.	Hele Works, Cullompton, Devon.....	Paper Makers ...	170
1891	Hickman, Alfred	Spring Vale Furnaces, nr. Wolverhampton.	Iron Smelter.....	about 700
1890	Holloway, George, M.P.	Farm Hill, Stroud ...	Farming Trafalgar Estate	—
1890	Hubbard's Profit-Sharing Building Business.....	23, Finsbury Circus, London, E.C.....	Builder	75

Name.	Address.	Business.	No. of Employees.	Bonus, how treated.
Idris & Co.	Ascham St., Kentish Town, London,N.W.	Mineral Water Manufactrs, &c.	250	C P
Joyner, Charles, & Co.	Icknield Sq., MonumentRd.Birmingh'm	ChandelierManufacturers	280	C P
Kench, P.	Birstall, near Leeds	Miller	15	C
Kensington Co-operative Stores Limited	Hammersmith Road, London, W.	Stores	300	—
Kinneard, J. Boyd	Kinloch House, Collessie, N.B.	Farming	—	—
La yman, J. H., & Co.	King's Lynn	Wh'les'le Grocers	20	—
Lawrence, Wm.	Upper Parliament Street, Nottingham.	Cabinet Maker,&c	160	C
Lee & Hunt	Arkwright Works, Nottingham	Tool Manufact'rs	60	C
London, Deptford & Greenwich Tramways Co.(formerlySouthwark & Deptford Tramways Co.)	2, Coleman Street, London, E.C.	Tramway Comp.	104	C
Martin, Robert	Tower Street, West Hartlepool	Printer	6	C
McVitie & Price	St. Andrew's Biscuit Works, Edinburgh.	Biscuit Manf'ct'rs	about 150	C
McVitie, Robert	23-25, Queensferry Street, Edinburgh	Baker, &c.	38	C
Needlewomen's Co-operative Association, Limited	170,Buckingh'mPalace Road, London,S.W.	Shirt, &c. M'fers.	60	Shrs
Newman & Son	27, Widegate Street, Bishopsgate,London	Printers and Stationers	17	C
New Welsh Slate Co., Limited	Festiniog	Quarry Owners	260	—
N.Z. Farmers' Co-op. Ass., Ltd.	Canterbury, New Zealand	Merchants and Clothing M'fers.	—	—
*Peto Brothers	29, Gillingham Street, Pimlico, London, S.W.	Contractors and Builders	about 300	C
*Raithby, Lawrence & Co., Ltd.	Queen St., Leicester.	Printers and Publishers	60	C
Robinson Brothers	West Bromwich and Nottingley	Tar Distillers	209	C P
Rogers, R. H. & S.	Addle St., E.C., and Bermondsey, S.E., London, and Coleraine, Ireland	Shirt and Collar Manufacturers	about 1,600	C
Rowntree, John, & Sons	20 & 21, Westborough, and 47, Newborough, Scarborough	Grocers and Tea Dealers	25	—
Rowntree, W., & Sons	Westborough, Scarboro'	Drapers, &c.	100	C P
*Sampson Low & Marston	St Dunstan's House, London, E.C.	Publishers	about 50	C
*South Metropolitan Gas Co.	709, Old Kent Road, London, S.E.	Gas Manufact'rs	about 3,000	C P
Spencer, Earl	Althorp House, Northampton	Farming Harleston Estate	9	P
Thomson, W., & Sons, Limited	Woodhouse Mills, Huddersfield	Woollen Manuf'rs	150	Shrs
Tucker, James, Ltd.	Collingdon Road, Bute Docks, Cardiff	Millers, &c.	100	C
Wills, W. D. & H. O.	Bedminster, Bristol	Tobacco Manuf'rs	1,100	C
Women's Printing Society, Ltd.	21B, Great College St., Westminster	Printers	20	C
Young, H. D., & Sons	60 & 62, High Street,	Leather Mrch'ts,		

APPENDIX E.

THOMAS BUSHILL & SONS, COVENTRY.

Rules for Profit-sharing System, September, 1888.

Method of Profit-sharing.

1.—From and after September 1st, 1888, the surplus (if any) of the clear profits of the business beyond such definite sum as is for the time being reserved to the Firm for their own benefit (hereinafter referred to as the "Reserved Limit") shall be divided into two equal parts: one thereof to be distributed gratuitously as a Bonus to the Employees in the manner defined by these Rules, and the other to be retained by the Firm.

The "Reserved Limit."

2.—The present Reserved Limit has been communicated confidentially to Mr. Charles J. Angus, 43, Finsbury Circus, London, E.C., Chartered Accountant, and will not be altered for the first three years if the scheme so long subsists. Thereafter it may be raised or reduced by the Firm, but (unless altered during some month of September) not so as to affect the distribution of profits for the financial year current at the time of the alteration. Notice of any alteration will be given to the Employees in such manner as to let them know how far such alteration would have affected the last preceding distribution had it then been in force.

Accountant's Certificate.

3.—The amount (if any) available for distribution will each year be certified by a Chartered Accountant and will be communicated to the Employees.

Qualifications for Profit-Sharing.

4.—The Employees entitled to share in the profits for any financial year are such only as at the commencement of such year on September 1st were members of the Sick Club, and have on or before that date delivered to the Firm's Cashier for the time being a Certificate or other satisfactory evidence of age, and a request to be entered on the list of profit-sharers.*

Duration of Scheme.

5.—The Scheme is to continue in force only until the Firm give notice to the Employees putting an end thereto, but such notice, unless given during some month of September, will not take effect until the end of the financial year current at the time it is given.

* Mr. Bushill recommends the addition of "Profit-sharers will be free to become or remain members of any trade or friendly society."

Method of Distribution.

6.—The Employees' Share of Profits accruing in each financial year is (subject as after mentioned) to be distributed among them in proportion to their respective Salaries or Wages at the commencement of such year, taken for one week, exclusive (1) of premiums, overtime or other variable allowances, or (2) of loss caused by short time. As to Employees who are piece workers, such week's wages in the case of each such worker is to be arrived at (exclusively as aforesaid) by averaging the Wages earned by him during the last month of the preceding financial year. In making any year's distribution it shall be permissible to the Firm to carry forward undivided to the credit of the following year's Employees' Share of Profits any sum which if divided would have given to them less than one week's wages calculated as aforesaid.

Employees' Reserve Fund.

7.—(*A*). If in any year the Employees' Share of Profits should exceed such sum as would, if divided, give a Bonus to them equivalent to six weeks' wages (that is, six times the amount of the one week mentioned in Rule 6) the surplus above such sum shall go to form an Employees' Reserve Fund.

(*B*). This Fund will remain in the hands of the Firm, bearing interest at the rate of 4 per cent. per annum, and may be applied, at the discretion of the Firm, in aid of a subsequent year's distribution.

(*C*). If any such year's surplus should not be so applied within five years of its transference to the Reserve Fund, the same, with interest thereon, shall, at the end of such five years, be allotted to the Provident Funds of such of the Employees as shall then be in the employ of the Firm (subject as aftermentioned) under the title "Bonus from Reserve."

(*D*). No Employee shall be entitled to benefit by any "Bonus from Reserve" who was not a Profit sharer for the year in which the money allotted in reserve bonus was earned.

(*E*). The allotment shall be made in proportion to the respective wages or salaries of the Employees sharing in the allotment (computed in accordance with Rule 6) for the year in which the money allotted was earned.

(*F*). It shall be permissible to the Firm at their discretion to allot a "Bonus from Reserve" at an earlier date than provided for in clause *C* of this Rule.

(*G*). The accounts of this Fund (whenever any monies stand therein) will be Audited yearly by a Chartered Accountant, and submitted (confidentially) to the Firm's Cashier for the time being.*

* Mr. Bushill writes, "Unless there are special circumstances in the case (as there were in our own case) I should not advise a firm to burden their Scheme with a Reserve Fund Rule."

Treatment of Bonus.

8.—The share of the profits accruing to each Employee (hereinafter called "Bonus") is to be divided into three equal parts—one of these will be paid over to him within two months of the end of the financial year, and the other two parts will be credited to him in the books of the Firm as a Provident Fund for his benefit. There will be delivered to him a Pass Book in which the account of his Provident Fund will be entered, and which must be produced when any payment from it is demanded.*

Employees Leaving.

9.—An Employee whose service ends by notice given on either side, by illness, or by death, will have a right to Bonus for the financial year in which his service ends in proportion to the portion of the year elapsed to the end of the month preceding the end of his service. Any Employee leaving under circumstances other than before mentioned shall lose such right. Any sum lost to an Employee under this rule does not accrue to the Firm, but goes wholly to increase the distribution to the other Employees.

Proviso in event of damage or Embezzlement.

10.—If an Employee ceases to be in the service of the Firm upon or by reason of any act or default on his part causing loss or damage to the Firm, or is at the time indebted to the Firm, his Provident Fund shall be applied to making good such loss or damage or to payment of such debt. If the act be embezzlement or felony, his Provident Fund shall be wholly and absolutely forfeited, and shall be applied, subject as before-mentioned, to such purpose, beneficial to the Employees generally, as may be determined by the Consulting Committee (formed under Rule 20). Whenever this Rule is called into operation, the circumstances of the case will be reported to the said Consulting Committee.

As to withdrawal of Provident Fund.

11.—Subject as after mentioned, no Employee shall be entitled to withdraw any portion of his Provident Fund.

As to withdrawal after Leaving.†

12.—Subject to Rule 10, if an Employee during his life ceases to be in the service of the Firm from any cause, he shall remain entitled to his Provident Fund, but he, or any person claiming from

* Mr. Bushill writes: "Boys under 18 in most businesses are frequently on the move, and naturally so. I would give them their cash share, but I do not think it worth while opening individual Provident Fund accounts for them. The trouble of tracing boys who have left, and the clerical work, outweigh the advantage to the individual, I think. Possibly the amounts, which should otherwise go to their Provident Funds, might go to a lump fund for their benefit."

† Mr. Bushill suggests that Rules 12 and 13 be transposed.

or under him, shall not be entitled to withdraw it until such time as, if he had continued in the service of the Firm, he would have been so entitled under Rule 13; provided, however, that he may be voted earlier payment if the Firm and the Consulting Committee (formed under Rule 20) should be of opinion that exceptional circumstances, existing in his case, make such earlier payment advisable.

On attaining 65 years of age or completing 25 years of service.

13.—An Employee on attaining the age of 65 years or completing 25 years of continuous service may on the following December 31st receive his Provident Fund accruing during that period. In reckoning the 25 years' service to the Firm or predecessors of the Firm commencing at any time since January 1st, 1880, is to be included, but not service while under the age of 21 years. Any such Employee, notwithstanding receiving his Provident Fund, if he continues on in the service of the Firm, will as to future Bonuses and otherwise have the benefit of and be subject to these Rules.

In case of Marriage.

14.—A female Employee, who, after leaving the service of the Firm, marries, may claim an immediate payment of her Provident Fund.

In case of Death.

15.—If an Employee dies his legal personal Representatives will be entitled to immediate Payment of his Provident Fund.

Claims to be in writing.

16.—In every case where an Employee or any person claims payment such claims shall be in writing and delivered to the Firm's Cashier for the time being.

In Case Scheme is Discontinued.

17.—If the Firm should put an end to the Scheme, the Provident Funds of all the Employees will become payable to them on December 31st following.

Interest on Provident Funds.

18.—The Provident Fund of each Employee will, while the same remains in the hands of the Firm, be credited with Interest at the rate of 4 per cent. per annum, but no interest will be allowed for any fraction of a financial year. The Firm may, if they choose, deposit the Provident Fund of any Employee or part of such Fund in a Savings Bank, in which case the amount deposited is to be credited with so much Interest only as allowed by the Savings Bank.

Security given for Provident Funds.

19.—The Firm will give Security upon property of ample value for all monies from time to time belonging to the Employees' Provident Funds, or so much thereof as may be remaining in their hands.

Consulting Committee.

20.—The Sick Club Committee are to form a Consulting Committee under this scheme for the Firm to consult with on any question affecting any Employee or arising under these Rules on which the Firm may desire assistance, nevertheless the ultimate decision of every question is to rest with the Firm.

Partnership not conferred.

21.—The Employees or any of them will have neither the rights nor liabilities of Partnership, nor are they or any of them to intermeddle or be concerned in the management of the business or the book-keeping or accounts of the Firm.

Giving of Notices.

22.—Notices or communications to the Employees are to be deemed effectually given or made if given or made in writing to the Consulting Committee (formed under Rule 20).

Alteration of Rules.

23.—Alterations or modifications of these Rules which experience may suggest as desirable may from time to time be made by the Firm; but such changes, unless made during some month of September, are not to take effect until the end of the financial year current at the time they are made, nor are any such changes to take effect retrospectively so as to affect the amount of the Provident Fund at the time they are made of any Employee. Notice of every such change will be given pursuant to Rule 22.

Definitions.

24.—In these Rules unless there be something in the subject or context requiring a different construction, words importing the masculine gender include also females;

"FIRM" includes the present members of the Firm, as also any person or persons succeeding to the business, whether such person or persons shall be the present members, or one or more of them, together with any other person or persons, or of any other person or persons only;

"BUSINESS" means the business of the Firm whatever changes may take place in the nature or branches of such business or places where the same is carried on;

"SICK CLUB" means the Cow Lane Steam Works Sick Club and

"Sick Club Committee" the Committee for the time being of such Club;

"FINANCIAL YEAR" means the year from September 1st to September 1st;

"SCHEME" includes all relations between the Firm and Employees under these Rules;

"CONTINUOUS SERVICE" as also any analogous expression, means (notwithstanding temporary absences) the whole period during which the relation of Employer and Employee virtually subsists and there is no dismissal;

"PROVIDENT FUND" includes additions thereto under Rule 7 and of Interest.

Revised Rules
Dated this 30th day of September, 1891.

(*Signed*)
THOMAS BUSHILL & SONS.

[FORM OF REQUEST, UNDER RULE 4.]

Pass Book No.....

.....18

To Messrs. Thomas Bushill & Sons, Coventry.

I beg to request you to place my Name on the list of Profit-Sharers, and I hereby agree to accept the Rules for the time being of the Firm's Bonus and Provident Fund Scheme.

(*Signed*)
Name (in full).....
Address (in full).....
Date of Birth.....

This Form should be handed in to the Firm's Cashier on or before September 1st, the Certificate of Birth being first pinned thereto.

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